



Umkhandlu Wakwa
NONGOMA
Local Municipality



DRAFT ANNUAL REPORT

For the Year Ended 30 June 2012

“Championing service delivery, working with and among the people”

VISION

“All communities shall have easy access to sustainable and physical infrastructure and be empowered to decide on their own future. To this end, we strive to become the leading local municipality in promoting cooperative governance and support an effective system of leadership and partnering, and- through fight poverty, build regional collaboration and make an enduring difference in people’s lives through accelerated service delivery”





**His Majesty the King
Goodwill Zwelithini**

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CHAPTER 1

INTRODUCTION AND OVERVIEW

Foreword by the Honorable Mayor



**His Worship, the Mayor
Cllr J. B Mavundla**

Once again it is with immense pride that I present this annual report for the 2011/2012 financial year. The financial year under review has been a challenging one indeed! We owe our success to the people of Nongoma for their unwavering support to me as Mayor, to my fellow Councillors and to our Administration as whole.

We have intensified our investment on infrastructure projects and placed focus on the delivery of basic services to the majority of our communities. This annual report reflects the work performed and the commitment of the collective political and administrative leadership of the Nongoma Municipality, given the ever- increasing socio-economic challenges facing the community. We however, acknowledge that while we have done significantly well to bring basic services to the people of Nongoma, there is a lot of work that needs to be done as we forge ahead.

In our quest to strengthen our supply chain management unit, we appointed the Manager: supply chain who recently was lured away by a more lucrative offer. However, we have moved swiftly to replace her with an equally competent and qualified individual who is due to assume duties on 1st February 2013.

Our partnership with the Benedictine hospital has worked well in deepening our campaign to implement HIV/AIDS program in all municipal wards. Our main focus has been the awareness program as well as support to the infected and affected members of our local

We now have a fully functional Performance management system. This has been reported by the Auditor-General as one of the glaring areas of weakness in our Governance structures. We are not only implementing PMS for compliance sake but we are using it to try and achieve excellence in the area of accelerated service delivery.

We have been consistent in our quest for the achievement of peace and cohesion in the municipality. The mutual respect between our Councillors and our administration is very pleasing indeed. We have also succeeded in maintaining labour peace between management and the labour unions and among staff members themselves.

We have continued to improve in terms of our financial management systems and have once again received an unqualified audit opinion from the Auditor-General for three years in a row! We remain focused on Operation clean audit come 2014. I thank our management for a job well done.

My warmest appreciation to the Hon Deputy Mayor, Cllr T.B. Nyoka, the Hon Speaker, Cllr A.N. Mchunu and my Executive Committee for their support. I thank my colleagues, the Hon councillors for their hard work and cooperation. Last but not least I thank our senior management and staff of our municipality and all stakeholders and our communities for all their encouragement, criticism and support.

I remain forever indebted to you all.

I thank you.



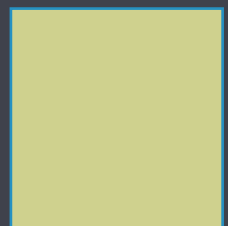
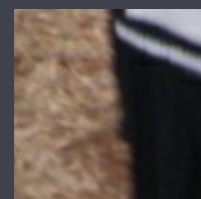
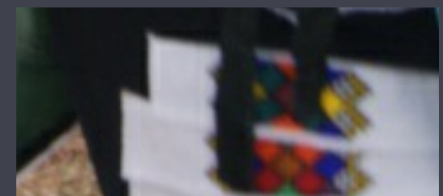
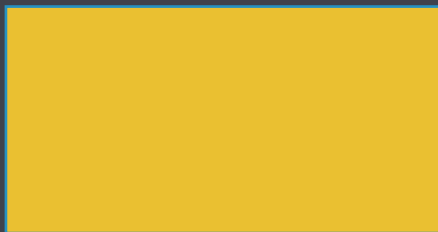
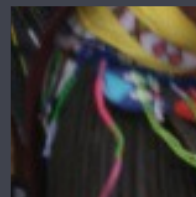
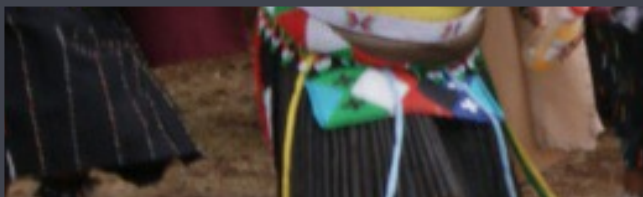
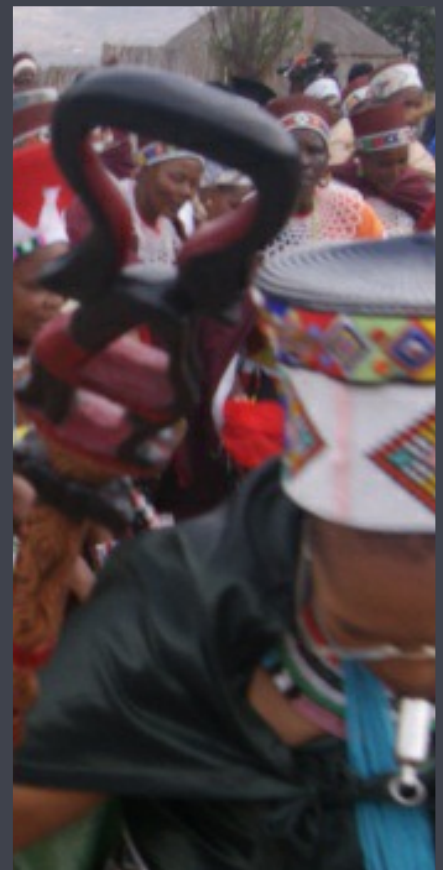
POLITICAL LEADERSHIP



**The Executive Committee of the Nongoma
Local Municipality.**



Nongoma Local Municipality Councillors



OVERVIEW OF THE MUNICIPALITY

Nongoma Local Municipality is a local municipality in the north eastern part of Zululand in the KwaZulu-Natal province of South Africa with the area of 2,182 km² (842 sq mi). It is Zululand's second largest municipality in terms of population and the second largest in terms of area. It shares its name with the town of Nongoma, which serves as the seat of the municipality. It is the home of King Goodwill Zwelithini, the hereditary traditional leader of the Zulu nation, and his royal palaces are among the main tourist attractions in the region.

Nongoma is predominantly a rural municipality. It encompasses 363 settlements, only one of which (Nongoma) has some urban characteristics. 98.34% of the population lives in rural areas. The level of education is low. Only 33% of the population have a primary education; only 5.3% have an education to Grade 12.

Infrastructure and facilities

The Nongoma Local Municipality has one hospital and twelve clinics/health facilities. There is one full-fledged police station, one social development office facility, one full-fledged post office, one library, and two sports facilities. There are about 25 community primary schools, 13 high schools, and one Further Education and Training (FET) college active in the area.

Only 12% of the community have access to electricity. The remaining 88% meet their energy needs using hydrocarbon (coal, gas, and paraffin) and/or biomass (wood, cow-dung, and crop waste). The task of collecting these has severe social and health costs which accrue primarily to rural women and children.

A radial network of roads converges in Nongoma Local Municipality. The rural roads are generally in poor condition and are often inaccessible during the rainy season. Although there are 12 clinics that serve the three tribal authority areas, a number of people still do not have access to these clinics due to poor road conditions and limited access to roads. In some areas there are no clinics and thus the people are deprived of basic health care. The situation contributes to the poor health conditions in the municipality.

Almost 56% of Nongoma's communities have no access to a telephone network. Only 1% of the municipality's households have a telephone in their actual dwelling.

There is an airstrip at eBukhalini that services the flight needs of the region. The airstrip is mainly used by specialist surgeons who visit the local Benedictine Hospital on a regular basis. The local business community and the king of the Zulu nation also use the airstrip.

Natural environment

The rugged mountainous terrain and the contrasting grass lands of Nongoma provide a scenic quality. However, the environment in Nongoma is currently in a state of degradation. Overgrazing and incorrect cultivation methods have led to erosion and the degradation of field quality. Important river systems are the Ivuna River, Black Mfolozi River and Mona River. Water pollution is a common problem in the area as the people use the rivers for all purposes, including washing clothes, animal feed, human consumption and other purposes. In many areas the rivers and streams are the only water source available to the communities.

The tables below shows the overall view of the municipality per ward as per the results of the census conducted by Statistics South Africa in 2011.

Population (Total)	188996
Density	89.3/km ² (231/sq mi)
Households	34341

Racial Distribution

The table below shows that the municipality is dominantly populated by Africans followed by Indians/Asians. The Coloureds and Whites are clearly a minority.

Racial makeup	2011 census
African	99.5%
Coloured	0.1%
Indian/Asian	0.2%
White	0.1%

The majority of the people in the Nongoma Municipality speak Zulu as their first language.

Language	2011 census
Zulu	95.7%
Other	4.3%

Mission

The mission of the Nongoma Local Municipality is to champion an integrated, sustainable system of government that supports development, economic growth and service provision through the development of all communities within the Nongoma Municipality area of jurisdiction



Service Delivery

Ward	Households	Formal Dwellings(%)	Telephone at Home(%)	Electricity(%)	Sanitation(%)	Piped Water to Dwelling(%)
1	2011	8.8	0.1	0.1	0.0	0.1
2	1213	6.8	0.0	0.1	0.2	0.0
3	1250	21.4	0.0	3.0	0.1	0.1
4	1585	42.8	0.5	9.1	1.9	1.6
5	1816	26.9	0.0	0.7	0.0	0.0
6	1187	47.9	0.1	43.4	0.1	0.8
7	2061	30.3	0.2	35.3	0.2	0.2
8	891	45.1	0.6	27.0	0.3	0.1
9	1817	57.0	2.3	37.4	1.9	11.0
10	1690	19.1	0.1	11.1	0.4	0.2
11	1310	14.1	0.0	3.2	0.5	0.1
12	1523	12.6	0.3	16.1	1.4	1.0
13	1639	17.1	0.4	7.4	0.5	0.7
14	1092	15.3	0.0	0.1	0.3	0.0
15	1245	5.8	0.3	0.4	0.6	0.6
16	1113	44.9	2.0	3.6	2.5	3.1
17	1398	45.4	0.4	1.2	1.5	1.5
18	729	9.3	0.1	0.7	0.1	0.0
19	602	72.1	21.6	67.8	72.9	54.8

Age(%)				Employment Status(%)			
Ward	Population	Children	Youth	Middle Age	Elderly	Employed	Unemployed
1	14,593.0	50.6	29.0	13.0	4.5	23.5	76.5
2	9,444.0	53.3	27.7	13.3	4.2	12.7	87.3
3	9,010.0	43.3	33.3	17.3	4.7	13.0	87.0
4	11,476.0	43.7	34.3	17.0	4.2	35.5	64.5
5	11,840.0	46.4	32.4	14.6	4.2	26.8	73.2
6	8,438.0	48.1	32.6	14.8	4.5	34.1	65.9
7	15,664.0	47.4	31.2	14.9	4.4	22.3	77.7
8	7,402.0	49.2	30.1	14.8	4.5	23.5	76.5
9	12,004.0	41.5	34.9	18.2	4.2	39.2	60.8
10	11,716.0	46.8	31.5	16.0	5.2	20.8	79.2
11	9,669.0	47.3	31.3	15.1	4.4	21.2	78.8
12	11,552.0	42.9	37.2	14.1	4.3	24.8	75.2
13	11,600.0	47.5	31.7	15.5	4.1	17.9	82.1
14	7,776.0	46.1	31.9	16.0	5.2	7.9	92.1
15	8,774.0	46.2	32.3	16.2	4.2	6.8	93.2
16	7,609.0	42.1	34.8	17.8	3.9	37.9	62.1
17	11,153.0	41.4	36.1	17.4	4.2	18.6	81.4
18	5,429.0	44.8	33.5	16.5	4.7	16.2	83.8
19	3,847.0	24.8	52.3	19.3	2.3	74.3	25.7

LOCALITY MAP OF NONGOMA MUNICIPALITY



Review by the Municipal Manager

Mr B.E Ntanzu

I am delighted to be accorded this opportunity to present the Annual Report for 2011/12.

It has been a year of many positive developments, we also have had our share of setbacks and challenges but these did not deter us from our principal mandate of taking service delivery to the people of Nongoma.

We moved in leaps and bounds in addressing the strategic objectives we had set for ourselves. Progress was made in the areas of poverty alleviation, we used EPWP as a vehicle to afford employment opportunity to many of our people who had never worked before.

We continued with our program of reducing the impact of HIV/AIDS. We partnered with Zululand District Municipality (ZDM) SHIPP and Masisukume Sakhe Programs to reach more and more people in a coordinated forum with other stakeholders.

We have continued to capacitate our youth through our office providing the much needed skills among our out of school youth. Our Local Economic Development Office (LED) has partnered with a number of CBO's and NGO's to provide for concrete developmental programs targeting the youth.

Our town scheme has been advertised and the office of the Surveyor- General has been requested to offer professional support in ensuring that our town Scheme is formalized. Our performance Management System (PMS) has been fully implemented.

The Audit Committee is fully operational.

BASIC SERVICE DELIVERY

The Project Manager abruptly resigned leaving a lot of challenges around the monitoring of the Neighbourhood Development Program Grants (NDPG) projects. Some of the problems were around reporting and cash flow management. We are hopeful however, that the NDPG Projects will be completed in the near future.

We continued to experience challenges around the issue of debt management and revenue enhancement. The challenges around approval of the town scheme exacerbates our inability to implement our rates policy and thereby collect the much needed revenue. The vehicle testing ground has been established but it is not functional as yet, it is hoped that it will be operational in due course.

INTERNAL CONTROL SYSTEM

Council appointed Price Water house Coopers (PWC) to provide internal audit function to our municipality. We have commissioned a new financial system called Pastel in order to improve our internal controls.



All internal controls identified by the Auditor General have received attention.

We have paid particular attention to strengthening of capacity at supply chain management office. We are reporting regularly on our performance to Provincial Treasury and COGTA. We have a fully functional performance Audit Committee.

GOVERNANCE AND PUBLIC PARTICIPATION

Our Executive Committee and Council have met all their statutory obligations and met regularly in terms of the Law. Our Portfolio Committee are all functional with the challenges here and there. However decisions of Councils are taken timeously and properly.

Our Ward Committees are functional and have been capacitated. Our Management Committee has been meeting regularly with a few challenges here and there.

There's room for improvement and it is hoped that we will continue to improve.

EXECUTIVE SUMMARY

The annual report sets out the level of achievement that Nongoma Municipality has attained during the year under review in line with its Key Performance Areas (KPA). Below is a summary description of KPAs that the municipality set out to achieve in order to improve service delivery.

The strategic objectives and strategies are structured in line with the Key Performance Areas of the Five Year Local Government Agenda as shown below:

- Organisation and institutional arrangement
- Financial viability and sustainability
- Provision of basic services
- Economic development
- Social welfare services
- Land use and environmental protection
- Public participation

Strategic Goals

- Ensure unified and prudent administration that recognises its internal and external stakeholders
- Extend a municipal revenue base and ensure its proper expenditure.
- Equal distribution and provision of basic services to all communities.
- Promotion of local economic development.
- Provision of customised social welfare services.
- Promotion of a proper land use and environmental protection.



Strategic Objectives

- Streamline and capacitate organisational and administrative structures.
- Develop and implement an effective and efficient financial management system.
- Improve basic services infrastructure provision.
- Improve the provision of social welfare facilities and services
- Improve our contribution to the ZDM and provincial economy.
- Improve the security of tenure system.
- Facilitation of fully functional public participation structures and systems.
- Organisational and Institutional Arrangement
- Basic Service Delivery
- Local Economic Development
- Financial Viability
- Good Governance and Public Administration

Statement of Municipal Financial Health

The strategic objective of the Finance Department is to ensure long term financial sustainability through implementation of sound corporate financial management .This is achieved through:

- Management of Municipal financial resources and assets in an effective and efficient manner.
- Collection of all revenue due to the municipality
- Preparation of credible and sustainable budget
- Provision of accurate and reliable financial information to managers and other stakeholders to facilitate informed decision making

CHAPTER 2

PERFORMANCE HIGHLIGHTS

CORPORATE SERVICES REPORT

Governance and Administration

The Council

The Nongoma Local Municipality has a total number of forty two (42) Councillors, and is led by the NFP and ANC Coalition. The political party share the Council sits as follows:

National Freedom Party (NFP) has nineteen (19) Councillors

Inkatha Freedom Party (IFP) has seventeen (17) Councillors

African National Congress (ANC) has six (6) Councillors



Director: Corporate Services

Mr M Dladla

In the previous year of reporting, it was reported that the Council made a submission to the MEC responsible for the Local Government and Traditional Affairs in the Province of KwaZulu Natal to determine the members of the Executive Committee to be full-time. We are pleased to report that even though the MEC did not approve our request in its entirety, she however approved that the His Worship the Mayor and the Honourable Deputy Mayor's positions determined as full - time positions, including the Council Speaker.

FUNCTIONING OF GOVERNANCE STRUCTURES

The Council, Executive and the Portfolio Committee Meeting

The Municipal Council and the Executive Committee have had all statutory meetings in accordance with the law. However there was a particular challenge in relation to the meetings of portfolio committees, most of which were not able to have the number of all the prescribed meetings. Measures have been put in place to ensure that these committees are fully functional and that they fulfil their legislative responsibilities.

The Municipality has the following committees:-

- 1) Financial Services Portfolio Committee - Chairperson Cllr. JB. Mavundla (HW the Mayor)
- 2) Corporate Services Portfolio Committee – Chairperson Cllr TB. Nyoka (Hon Deputy Mayor)
- 3) Technical Services Portfolio Committee – Chairperson Cllr. ME. Ndwandwe
- 4) Community Services Portfolio Committee – Chairperson Cllr. SM. Zulu
- 5) Protection Services Portfolio Committee - Chairperson
- 6) Planning and Economic Development Portfolio Committee - Chairperson Cllr. P. Zulu
- 7) Audit and Performance Management Committee – Chairperson
- 8) Municipal Public Accounts Committee (MPAC)

The meetings held by various committees of Council in the year under review are as follows:-

Committee	Number of meetings held
Full Council Meetings	11
Executive Committee Meetings	12
Financial Services Portfolio Committee	3
Corporate Services Portfolio Committee	3
Technical Services Portfolio Committee	3
Community Services Portfolio Committee	3
Protection Services Portfolio Committee	2
Planning and Economic Development Portfolio Committee	3
Audit and Performance Management Committee	3
Municipal Public Accounts Committee	3

Internal Audit

The municipality had an internal audit function throughout the year under review. The internal audit report was available during the audit. The internal audit covered the following:

- Loss Control – Follow Up Review
- Receipting and Banking – Follow Up Review
- Human Resources and Payroll – Follow Up Review
- Asset Management – Follow Up Review
- Review of Revenue
- Review of Purchases and Payables
- Review of Division of Revenue Act (DoRA)
- Review of Tenders and Contracts

Risk Assessment

The risk assessment was undertaken by the Provincial Treasury.

Ward Committe System

Ward Committees have been established as per section 73 of the Local Government:

Municipal Structures Act 117 of 1998 in all nineteen wards of the municipality and they are functional. The ward committees meet on a monthly basis to discuss issues that affect the ward for onward submission to Council for consideration. This structure is developmental in nature and it serves as a vital communication link between the municipality and the community.



Director: Community Services

Mr I Barnes

Vision and Mission

The department of Community Services is faced with many challenges which are inherent; these formulate a major obstacle for the department to be fully functional. We have however through working as a unit with the sectional Heads put a system in place.

Nongoma is a Municipality in the depths of rural mountains of KZN, hence the department still needs to be strategic in engaging and educating the community about the Department's related service matters.

We believe as a Department that working in unity with the community we shall strive.

Currently in the Community Services Department we have five (5) Sectional Heads leading the department as follows:

- **Mrs T H Nyawo (Library Officer):**
- **Miss N Nxumalo (Waste Officer)**
- **Mr T I Dladla (Sports, Youth, HIV/AIDS Coordinator)**
- **Miss L Ngcamu (Community Liaison Officer)**
- **Mr N S Qwabe (Pound Officer)**

COMMUNITY SERVICES REPORT

1. Waste management section

The solid waste section of the municipality deals with waste management, refuse removal and town cleaning. Due to shortage of staff and insufficient municipal material, we are working under extreme disadvantage. Hence since the arrival of the HOD on the 3 October 2011, there have been some changes. The sectional head was employed on the 1 November 2011 further to that, 20 contract employees were employed to beef up man power to speed up the cleanliness of Nongoma town.

Other challenges that make this section not to function to its full potential is that there were no systems in place to guide the public and the municipality on waste management. Currently the HOD and sectional Heads are on the last step in the finalization of waste policies and By-Laws.

Furthermore the HOD has budgeted for additional skip bins for commercial areas and has conducted community awareness on the environmental matters. We further have planned to purchase colour coded recycling bags for separation of collection of waste as per the act requires. We have introduced clean up campaigns with the members of the public on weekends.

In the waste section there are 63 employees, 41 are permanent and 22 are temporary staff. Of the 63 staff members we have 6 that are grass cutters, 2 cemetery cleaners. The remaining 55 employees they operate on a shift roster with each shift working day and night.

Currently the municipality has a unlicensed dumping site which is under the supervision of an independent contractor, and the municipality has procured the services of Aurecon to apply on behalf of the municipality for licensing of the dumping site.

The on-site waste management company does on behalf of the municipality at the dumpsite is to record the volume of waste dumped in the dumpsite, manage the site with cleanliness. Control unauthorized scavengers and dumping of toxic and medical waste. Furthermore they separate recyclable waste and monies are transferred to the municipality.

However there are still ongoing challenges that the waste section faces with the community. At the moment the planting of bins in the CBD area has been put on hold due to the fact that Eskom is removing street lights hence we cannot plant our bins. Lastly the issue of illegal dumping site in the CBD area.

In conclusion the section intends to do awareness campaigns, and educate the community on waste related issues.



2. Social Services Section

- **Sports and recreation**

The sports and recreation deals with development of sports from the ward level of the municipality. At the ward level we have sports committees which deal with making sure that the ward participates and talent search in any sport code. Thereafter there is the local sports council which is represented by federations (these are committees that represent different sporting codes). The responsibility of the sports council is to make sure that sports take participation from the ward level, and all sports codes interact.

The mandate of the local sports council is to enhance sports participation and development in their respective wards from the ward level, to transform sports and recreation within the local municipality.

There are challenges in the development of sport, budget is the main obstacle, secondly maintenance of the recreational facility. Some of the sporting facilities don't fall under the supervision of the municipality; hence some of these facilities neither are nor in good standard.



Youth Development

The youth development is comprised of a structure called ward youth committee, and this structure is responsible for mobilizing young people to take part in most of council activities. Also to encourage young people to be self-reliant and the importance of education.

The main challenge is that the municipality doesn't have the budget to address youth related matters. Due to high levels of poverty which is the main cause of young people dropping out of school which is the main cause of the youth not participating in youth related matters at the municipal level. Furthermore our youth do not benefit from municipal tendering system due to the fact the SCM policies do not accommodate youth empowerment, the new sectional is at the last step on the finalization of the youth empowerment policy which will see that the municipality through SCM they empower young people.

Lastly there is a structure at the municipal level called the youth council formulated by youth from all wards (ward youth committees). The main purpose for the said structure is to deal with all youth related matters in the municipality and government.

Nongoma Youth Council



HIV/AIDS

In dealing with HIV/AIDS at the municipal level there are ward aids committee operating at ward levels, chaired by ward councilors. The sole purpose of the ward aids committee is to educate, encourage the community on AIDS related matters like getting tested, one partner campaign. Thereafter there is higher structure called Local AIDS council chaired by the Honorable Mayor Cllr. JB Mavundla, the said structure is responsible for monitoring the spread of HIV/AIDS through HIV/AIDS awareness campaigns.

The fundamental challenge which is the set back is budgetary constraints; it limits proper campaigning and co-ordination that ensure that campaigns are effective.



Gender and People living with disability

Prior to the employment of the HOD and the sectional head of social services, the above unit was not functional. Since the third quarter after the sectional head was appointed, the committees have been established so the unit could be active, currently the unit has Gender forum and Disability forum.

The gender forum looks into woman issues like affirmative action, women empowerment and welfare of children. On the other hand disability forum addresses matters of disabled persons and their wellbeing.

Budgetary constraints hinder effectiveness of related programs to be implemented properly.

3. Library Services

The said component is functional but lacks supporting resources, meaning the public should be able to get up dated information, but due demand of information and lack of sound funding. The Nongoma community is not served at a good level. Currently there are over 200 schools in Kwa-Nongoma but there is only one library to services this large community.

The challenges that face the said section are literature material which are not available to cover the volume of learners, internet connection is seldom accessed and ready for learners.

However since the department of Arts and Culture is in the process of taking over the library services under its wing, we have faith such challenges will be dealt with accordingly.

4. Pound and Cemetery Services

Prior to the currently appointed HOD, this section was ineffective and nonexistent As of now we do not have a properly functional unit, the cemetery is full and the municipality does not have land for burial and there is no pound for cattles that is in town. The community of kwa-Nongoma is ill-informed that cattle should not graze in town.

As we move forward in building this new section, the HOD has submitted draft pound policies, pound by-laws and cemetery by-laws. Furthermore there was a recent appointment of Pound Officer who is in the process of public participation on pound related matters. The other challenge the municipality has no land available for burial; therefore the HOD is in negotiations with Usuthu tribal authority for burial land to be leased to the municipality for burial purposes.

5. Community Liaison

The main purpose of this section is to attend to public participation and communication, this section works together with ward committees from all wards of the Municipality. Also communicates with the public through print media and radio media.

Currently the ward committees have been elected but we have to attend to by elections that have been caused by death of members and resignations or members leaving the area of ward demarcations.

Other related challenges are budget and lack of participation from the community. However our ward committees have been trained on public participation (module one), and in new financial year module two training will commence.

Through newsletters of the municipality which are issued per quarter, we have supplied all wards of the municipality.

6. Housing

The housing section has no sectional head and therefore all responsibilities are vested on the HOD, there are many challenges but the current status of the housing section is as follows:

Buxadene Project (Ward 8)

Buxedene Project has 1400 sites. Physical implementation 1100 sites and 1100 houses have already been built. 400 are still under construction. Implementing agent is Comhousing Holinyoka Project (Ward 9)

This project has 1300 sites. Physical implementation of 940 houses. The remaining 360 are still under construction. Maye/ Dabhazi (Ward 10 and 11)

This project has 1000 sites. The project is still on phase 1 which is the identification of beneficiaries. Projecon is joint venture with Siyazama Project (Ward 15)

This project is situated at Usuthu area. It has 1000 sites. It is still on the initial stage of the project. Implementing agent is Fideco Homes which is the joint venture with Magxabhashe Construction, currently the projection is at phase two and 750 beneficiaries have been approved for construction.

Lastly the housing section has appointed six implementing agents for construction of twelve thousand (12 000) in all twenty one wards.



Director: Protection Services
Mr P. Y Nkosi

PROTECTION SERVICES REPORT

Introduction and Background

The traffic section forms part of the Protection Services Department.

The Section's core functions include;

- General community awareness about safety on public roads and on Disasters
- Traffic Law Enforcement on public roads
- Conducting of Learners Licences
- Disaster Management



Performance Review

Item No.	Strategic Objectives/ Key Performance Areas	Performance against objectives and KPA's
1	Effective regulations and management of traffic.	While some targets were achieved in this regard there is room for improvement
2	Disaster and Fires	The Department converted a tipper truck into a Fire Fighting Truck which is now operational. Fire Fighters have been employed
3	Systematically collate data on traffic and Municipal by-laws related offence for developing counter strategies to reduce these offences	Statistics are gathered manually due to problems with the Ciprus Management System
4	Undertaking of community policing Forum (CPF)	In the year under review a number of South African Police Services (SAPS) conducted various CPF initiatives . Each of the activities held were linked to Nongoma Police Station
5	Education of the public to improve safety on the road	School patrols were introduced in local schools and learners taught about safety. More patrols will be introduced in the next financial year
6	Ensure effective and continuous improvement on the licensing services function	The Learner Driving function has been implemented as planned and reasonable revenue is generated. We now have the LCU from the transport department to perform eye tests and fingerprinting.
7	Enforce the law through roadblocks from time to time	A number of roadblocks were undertaken during the year, resulting in resounding success in fines issued and prosecutions effected.

Statistical Analysis of the Function:

Protection Services/ Traffic and Licensing- operational statistics	NUMBER
Total Number of call -outs attended	
Emergency call-outs	105
Standard call-outs	65
Average response time to call-outs	
Emergency call-outs	10 minutes
Standard call- outs	20 minutes
Total number of targeted violations (Traffic Offences)	
Reckless/Negligent Driving	40
Unlicenced drivers	02
False licence disks	140
Accident count	Nil
	250
Total number and type of emergencies leading to a loss of life or disaster	
Car accidents	76
Natural disasters	80
Fire	79
Total number of learners licence tested	2485



Director: Technical Services
Mr S Biyela



TECHNICAL SERVICES REPORT

Introduction and Background

The Department is faced with the challenge of staff shortage which makes it difficult to complete the infrastructure projects within the set time frames. The use of inexperienced service providers contributes to the delay in implementing the projects. Appropriate actions have been taken on such service providers. Nongoma Municipality is not in a position to tolerate any cause that will hinder service delivery to the community.

Capital projects implemented in the 2011/12 financial year categorised into 6 types;

- The Construction of Sports fields
- The Construction of Creches
- The Construction of Community hall
- The Construction of Roads and Taxi Ranks
- The Nongoma Vehicle Test Centre
- Nongoma Cultural Hub And Museam

Status of the capital projects as at the end of June 2012.

SPORTS FIELDS

Item No.	Project	Ward	No. Of Beneficiaries	Status	Funder
1	Buxedeni Sportsfield Phase 2 & 3	8	10 543	100% complete	MIG
2	Ward 3 Soccerfield	3	1 754	100% complete	MIG
3	KwaNtshanelo Sportsfield	18	2 350	90% complete	MIG
	Total		14 647		MIG

TEST CENTRE

Item No.	Project	Ward	No. Of Beneficiaries	Status	Funder
1	Vehicle Testing Centre	20	240 000	100% complete	NLM
	Total		240 000		NLM

CRECHES

Item No	Project	Ward	No. Of Beneficiaries	Status	Funder
1	Thongathi creche	2	325	100% complete	MIG
2	Edlabe creche	4	320	100% complete	MIG
3	Nkonjeni creche	8	290	100% complete	MIG
4	Emasudwini creche	9	350	100% complete	MIG
5	Thinsango creche	11	350	100% complete	MIG
	Total		1 635		MIG



CULTURAL HUB AND MUSEUM

Item No	Project	Ward	No. Of Beneficiaries	Status	Funder
1	Museum	20	240 000	1% complete	MIG
	Total		240 000		MIG

COMMUNITY HALLS

Item No	Project	Ward	No. Of Beneficiaries	Status	Funder
1	Nkosikhona MPH	10	13 000	100%	MIG
	Total		13 000		MIG

ROADS AND TAXI RANK

Item No.	Project	Ward	No. Of Beneficiaries	Status	Funder
1	Ward 3 Road	3	2 350	100% complete	MIG
2	Ward 1 Road	11	3 200	30% complete	MIG
3	Ward 13 Road	13	4 100	100% complete	MIG
4	Ward 14 Road	14	3 500	100% complete	MIG
5	Msweli Road	16	3 850	70% complete	MIG
6	Kawziphethi Road	17	2 500	50%complete	MIG
7	Rehab R66	19	240 000	30% complete	NDPG
8	Nongoma Bus & Tax Rank	19		40% complete	NDPG
9	By Pass Road	20		1% complete	NDPG
	Total		259 500		NDPG

START DATE - DURATION OF THE PROGRAMME

Nongoma Municipality was advised of MIG's intentions to transfer funds to the Municipality for the first time in 2006.

AMOUNT ALLOCATED FOR THE PAST 3 YEARS:

	2009/10	2010/11	2011/12
Approved budget amount	R 15 989 009.81	R 17 350 550.61	R 20 868 000.00
Spent budget amount	R 8 672 960.80	R26 263 121.38	R 22 572 800.51
Difference	R 11 331 232.67	R 2 419 111.28	- R1 704 800.51

Comments:

- The amount of : R 11,331,232.67 was rolled over into 2009/10.
- The amount of : R 2,419,111.28 was unspent in 2010/2011 and a request was submitted to National Treasury for application as 'rolled over' into 2011/12, however only R 1,704,800.51 was approved as 'roll over'.
- Nongoma Municipality spent 100% of its MIG allocation for the first time in 2011/2012 financial year.

KEY CHALLENGES SINCE ONSET OF PROGRAMME AND CURRENT CHALLENGES:

The municipality was and still is experiencing challenges regarding infrastructure mainly due to the lack of funding for this purpose as well as the rural nature of the Municipality.

Due to internal staff capacity at Nongoma most staff members carry more than one portfolio. Within this context the various functions / activities required to carry out internal as well as externally funded project is shared out within the existing capacity.

The current funding that is utilized mainly for the infrastructure development is obtained from the Municipal Infrastructure Grant, which is allocated by the Department of Corporative Governance and Traditional Affairs.

- The infrastructure is predominantly for roads, community structures and sport stadiums.
- However, there are noticeable backlogs that still need to be quantified for the Municipality to address these backlogs effectively.

The delivery of basic service infrastructure remains the top priority of the Nongoma Municipality.

- There is a huge disparity in provision of services and there is a major service backlog within the area of Nongoma Municipality.
- There is also a lack of maintenance of existing infrastructure.

This is evident in the poor condition of roads due to poor standard of storm water management and lack of maintenance

CERTAIN KEY CHALLENGES THAT WERE EXPERIENCED IN THE 2011/2012

- The understanding and implementation of MIG guidelines to fit within current municipal framework resulted in specific bottlenecks identified ie. Procurement procedures / Adjudication (SCM). This can be a timeously procedure depending on type of project and Tender amounts received as well as Committee member commitments.
- Finance department involvement in payment procedures and producing required documents ie proof of payments
- On time prioritizing and identification of projects to be implemented
- Political involvement / interference in project.
- Previously approved projects has been delayed for implementation , thus new projects had to be identified and prioritized as well as fast tracked to achieve commitment – on going

- Approving of MIG business plans and MIG MIS system ‘errors’

The use of emerging contractors with little financial capacity and in general low capacity to deliver complex projects has lead to lengthy delays in delivering completed projects. (lower than expected expenditure)

Cancellation of ‘non-performance’ Consultant’s contract, resulted in 3 projects scheduled for implementation to be delayed until a new consultant had been appointed through the SCM

- Approval of other related Governments Sectors ie EIA Reports etc

As all projects carries a Risk factor ie..weather, politics etc.. the programme is being implemented as planned and risk factors are managed as they arise.

The Nongoma Municipality intends to eradicate the backlogs in the above mentioned categories through the Technical Department by 2014 by employing more competent staff and strengthen the Project Management unit within the department.





Director: Planning and Development
Mr S Mngoma

The Department of Planning and Development is made up of Local Economic Development (LED) Unit, Tourism Unit, Spatial Planning and Land Use Management Unit, Geographic Information Systems (GIS) Unit, and Integrated Development Planning (IDP) Unit.

Nongoma municipality has also developed a strategic approach to enhance local economies and create job opportunities, and promote coordinated and sustainable development. The following key performance areas are some of the considerations by the Council also informed by the five National Key Performance areas.

- Develop, and Timeously adopt credible IDP
- Develop and Implement LED and Tourism Strategy
- Market Nongoma as an investment destination
- Promote utilisation of local labour in the implementation of municipal capital projects
- Establish and maintain agricultural activities in the identified wards
- Promote Nongoma municipality as a Zulu Cultural heritage Centre, and
- To Regulate and Support informal and formal business activities within the municipality
- To promote sustainable land use management
- To promote integrated environmental sustainability



OPPORTUNITIES

There are many opportunities within Nongoma Municipality that need to be exploited in order to enhance local economic development. The above pictures depict some among many of the local talents that need to be enhanced. Nongoma for being the home of his Majesty, ISilo saMabandla; and holding a good historical and cultural character; stands a good chance of tourism development. The municipality has taken an initiative to develop a Nongoma Cultural Hub which will serve as an exhibition of Zulu Traditional amenities.

Spatial Planning and Land Use Management is also one of the critical areas that is now given attention to make sure that development occurs in a sustainable and coordinated manner. The function of land use control has not been given attention for long time; this imposes a huge challenge to the new Council since illegal developments and encroachment are extremely high.

The IDP, GIS and Spatial Planning Units have been formed to make sure that the challenges associated with illegal and uncoordinated developments get addressed. Although these units are fairly new; they have already addressed many land use and land ownership challenges. Among these challenges includes the ownership of Nongoma Town Land. The Municipality has finally reached an agreement with the KwaZulu Natal-Provincial Department of Human Settlement to transfer the title deed of Nongoma Town land (Erf 5000) to the municipality. This will allow the municipality to take a full control of land use management in the town.

CHALLENGES

Lack of resources is one of the major challenges that militates against the mission of creating a conducive environment to deliver sustainable services to the community. Nongoma is one of the rural municipalities with a very small revenue base; this makes the municipality highly dependent on equitable share and conditional grants.

Lack of institutional memory and capacity is also a challenge. Since most units as highlighted above are fairly new; they still need time to organize themselves and start producing results. This is also exacerbated by the fact that tools like by-laws, policies and plans were not found in place.

PERFORMANCE AND SERVICE DELIVERY REPORT

1. IDP Preparation

We went through an extensive public participation and stakeholder alignment processes to make sure that we produce an IDP that addresses public concerns. We conducted three big IDP road shows in OSuthu, Ematheni, and KwaMandlakazi. The Honorable Mayor, Mr Mavundla also conducted a business GALA Dinner to involve Nongoma Business community in the planning process.

IDP Participation and Alignment Criteria*	Yes/No
Does the municipality have impact, outcome, input, output indicators?	YES
Does the IDP have priorities, objectives, KPIs, development strategies?	YES
Does the IDP have multi-year targets?	YES
Are the above aligned and can they calculate into a score?	YES
Does the budget align directly to the KPIs in the strategic plan?	YES
Do the IDP KPIs align to the Section 57 Managers	YES
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	YES
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	YES
Were the indicators communicated to the public?	YES
Were the four quarter aligned reports submitted within stipulated time frames?	YES
* Section 26 Municipal Systems Act 2000	
T2.5.1	

2. LED, Tourism and Land Use Management Performance Reports

We have worked extremely hard with limited resources to make sure that we try and meet the set performance targets. The table below highlights some of the achievements versus the set targets.

The table below provides highlights of Planning and Developments achievements. Although the department is still under construction with very limited resources, it transpires that hard work has been done to try and meet performance targets.

2011/2012 REPORT

	PERFORMANCE	TARGET	REPORTING	
	PLANNED TARGET	ACTUAL PERFORMANCE	BLOCKAGES/ COMMENTS	PORTFOLIO OF EVIDENCE
Timeous adpotion of an IDP	100%	100%	Target was achieved	Council Resoulutions
Jobs created through CWP	All 21 wards must have a project	48%	Only 10 wards were able to get CWP project, budget from COGTA side was a stumbling block.	List of ward and project names
No. of Jobs created through SMME development	100	61	This target was under scored due to limited budget and tenders awarded	
No. of Business licenses issued	100%	100%	This target was met	
Tourism related seminars attended to promote Nongoma as tourism destination	2	10	Target was met	Attendance registers and minutes
No. Of Jobs create through agricultural development	20	412	This outstanding target is due to the fact that most CWP are agricultural related	
Annual review of the SDF	100%	100%	SDF was adopted by the Council	Copy of a Resolution
No. Of PDA application processed	100%	none	We still have a problem of Town Land Scheme that is not in place. Capacity has also been a stumbling block but we are working hard to address this problem	
No. Of Title Deeds handed to property owners	100%	none	We are still claiming the ownership of Nongoma Town land from Human Setllement. We have already appointed a conveyancer.	
No. Of EIA comments made	100%	none	We rely on the District environmental practitioner to make these comments since we have no personnel at municipal level	

COMPONENT C: PLANNING AND DEVELOPMENT

This component includes: planning; and local economic development.

INTRODUCTION TO PLANNING AND DEVELOPMENT

Delete Directive note once comment's completed - Provide brief overview of the opportunities and challenges in the fields of economic development and physical planning field for your municipality.

T3.10.0

3.10 PLANNING

INTRODUCTION TO PLANNING

Delete Directive note once comment's completed - Set out in brief the main elements of your planning strategies (and make particular reference to achievements and challenges in 2008/09); Town Planning; and building regulation and enforcement). Set out your top 3 service delivery priorities and the impact you have had on them during the year. Set out measures taken to improve performance and the major efficiencies achieved by your service during the year. Refer to support given to those communities that are living in poverty.

T3.10.1

Applications for Land Use Development						
Detail	Formalisation of Townships		Rezoning		Built Environment	
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
Planning application received						
Determination made in year of receipt						
Determination made in following year						
Applications withdrawn						
Applications outstanding at year end						

T3.10.2

Employees: Planning Services					
Job Level	2007/08	2008/09			
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)
	No. No. No.	No. %			
0 - 3	1	1	1	0	0%
4 - 6	3	3	3	0.5	17%
7 - 9	6	6	6	1.5	25%
10 - 12	7	7	7	1	14%
13 - 15	9	9	9	2.2	24%
16 - 18	11	11	11	0.9	8%
19 - 20	18	18	18	1	6%
Total	55	55	55	7.1	13%
Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T3.10.4					

Financial Performance 2008/09: Planning Services					
R'000					
Details	2007/08	2008/09			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2 %
Repairs and Maintenance	25	244	250	248	2 %
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2 %
Net Operational (Service) Expenditure	75	607	650	649	6%
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T3.10.6					

Capital Expenditure 2008/09: Planning Services					
R' 000					
Capital Projects	2008/09				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate. T3.10.6					

COMMENT ON THE PERFORMANCE OF PHYSICAL PLANNING OVERALL:

Delete Directive note once comment's completed - Explain the priority of the four largest capital projects and explain the variations from budget for net operating and capital expenditure. Confirm your year 5 targets set out in the IDP schedule can be attained within approved budget provision and if not then state how you intend to rectify the matter. Explain the priority of the four largest capital projects and explain variances from budget for net operating and capital expenditure. Also explain any likely variation to the total approved project value (arising from 2008/09 and/or previous year actuals, or expected future variations).

T3.10.7

3.11 LOCAL ECONOMIC DEVELOPMENT (INCLUDING TOURISM AND MARKET PLACES)

INTRODUCTION TO ECONOMIC DEVELOPMENT

Delete Directive note once comment is complete – Provide brief introductory comments on your economic development strategy and the contribution being made to the local economy in facilitating job creation through by Local Economic Development Services in 2008/09 (include your top 3 service delivery priorities and the impact you have had on them during the year). Set out measures taken to improve performance and the major efficiencies achieved by your service during the year. Refer to support given to those communities that are living in poverty. Give the name and extent of service provision of any municipal entity(ies) responsible for rendering Housing Services within the municipality.

T3.11.1

Economic Activity by Sector			
	R '000		
Sector	2006/07	2007/08	2008/09
Agric,forestry and fishing	2	1.5	1.5
Mining and quarrying	6	5	2
Manufacturing	56	58	63
Wholesale and retail trade	45	51	52
Finance, property, etc.	51	48	52
Govt, community and social services	23	25	25
Infrastructure services	34	38	41
Total	217	226.5	236.5
			T3.11.2

Economic Employment by Sector			
Sector	Jobs		
	2006/07 No.	2007/08 No.	2008/09 No.
Agric, forestry and fishing	20,000	25,000	30,000
Mining and quarrying	400,000	435,000	372,000
Manufacturing	320,000	300,000	270,000
Wholesale and retail trade	190,000	200,000	210,000
Finance, property, etc.	275,000	255,000	235,000
Govt, community and social services	300,000	310,000	320,000
Infrastructure services	400,000	430,000	450,000
Total	1905000	1955000	1887000
T3.11.3			

COMMENT ON LOCAL JOB OPPORTUNITIES:

Delete Directive note once comment's completed - Comment briefly on the short and longer term prospects for economic growth and development referring to the above. Include in this section references to Tourism and Market Places (including street traders)

T3.11.4

Job creation through EPWP* projects		
Details	EPWP Projects	Jobs created through EPWP projects
	No.	No.
2006/07	40	2,000
2007/08	50	2,900
2008/09	66	4,500

* - Extended Public Works Programme

T3.11.6

Employees: Local Economic Development Services						
Job Level	2007/08	2008/09				
	Employees	Posts	Employees	Vacancies (fulltime equivalents)	Vacancies (as a % of total posts)	
	No. No. No.	No. %				
0 - 3	1	1	1	0		0%
4 - 6	3	3	3	0.5		17%
7 - 9	6	6	6	1.5		25%
10 - 12	7	7	7	1		14%
13 - 15	9	9	9	2.2		24%
16 - 18	11	11	11	0.9		8%
19 - 20	18	18	18	1		6%
Total	55	55	55	7.1		13%
Totals should equate to those included in the Chapter 4 total employee schedule. Employees and Posts numbers are as at 30 June. *Posts must be established and funded in the approved budget or adjustments budget. Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days. T3.11.8						

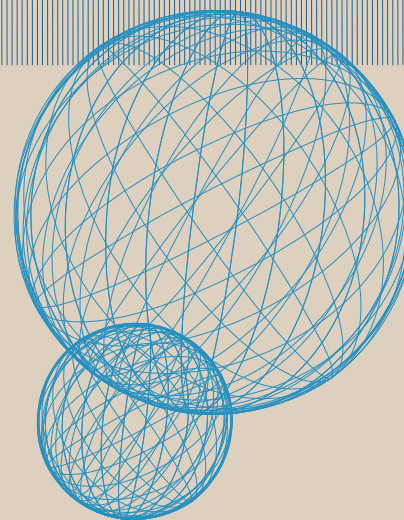
Financial Performance 2008/09: Local Economic Development Services					
R'000					
Details	2007/08	2008/09			
	Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
Total Operational Revenue (excluding tariffs)	120	125	100	95	-32%
Expenditure:					
Employees	125	244	250	248	2%
Repairs and Maintenance	25	244	250	248	2%
Other	45	244	250	248	2%
Total Operational Expenditure	195	732	750	744	2%
Net Operational (Service) Expenditure	75	607	650	649	6%
Net expenditure to be consistent with summary table T5.1.2 in Chapter 5. Variances are calculated by dividing the difference between the Actual and Original Budget by the Actual. T3.11.9					

Capital Expenditure 2008/09: Economic Development Services					
R' 000					
Capital Projects	2008/09				
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget	Total Project Value
Total All	260	326	378	31%	
Project A	100	130	128	22%	280
Project B	80	91	90	11%	150
Project C	45	50	80	44%	320
Project D	35	55	80	56%	90
Total project value represents the estimated cost of the project on approval by council (including past and future expenditure as appropriate). T3.11.10					



Chief Financial Officer

Mr M Mthembu



FINANCIAL MANAGEMENT REPORT

Introduction and Background

The Finance Department has the responsibility to develop and implement sound business processes , effective internal and financial control systems. It is committed to further its mandate to provide a comprehensive financial management support and guidance to the Council and the directorates of the Municipality. The directorate supports the Integrated Development Plan of the Council by striving to provide a stable and sustainable financial environment that enables Council to deliver essential services to the community of Nongoma.

The finance Department is made up of the following independent and yet complimentary components:

- *Expenditure Section*
- *Credit control and Revenue Management Section*
- *Supply Chain Management Section*
- *Budget and Treasury*

The Financial Services Department achieved the following:

- *Preparation and submission of the 2011/12 annual budget on due date.*
- *Preparation and submission of the 2011/12 adjustment budget on due date.*
- *The annual financial statements were successfully completed in accordance with GRAPH and submitted within the prescribed period.*
- *Submission of Section 71 reports to Provincial, National and other relevant funders.*
- *Tabling of Section 71 reports to Council.*
- *Preparation, tabling and submission of the Section 72 financial report- mid year budget and performance assessment report.*
- *Annual report tabling to Council and submission to relevant authorities.*
- *Successful completion of Graph 17 compliant fixed assets register.*
- *Implementation of the new financial system*
- *Obtaining an unqualified audit opinion for three (3) years in succession.*
- *Strengthening of Supply Chain Section i.e Appointment of the SCM Manager and Practitioner.*
- *All the Bid Committees were appointed and functional during the financial term.*
- *Improvement in the conditional grants expenditure i.e MIG, NDPG, FMG etc*



- *All reporting in terms of DORA was achieved.*
- *The Internal Audit function was implemented.*
- *Review of Financial policies.*

The challenges that the Financial Services faces are as follows:

- Late payment of creditors: the Municipality experienced cash flow problems resulting from National Treasury withholding of R11.03 million from the equitable share grant in March 2012.
- There is a huge shortage of office accommodation in the municipality as a whole. As a result the staff is required to share the equipment and office furniture. The situation is not conducive to excellent working environment which leads to unproductiveness.

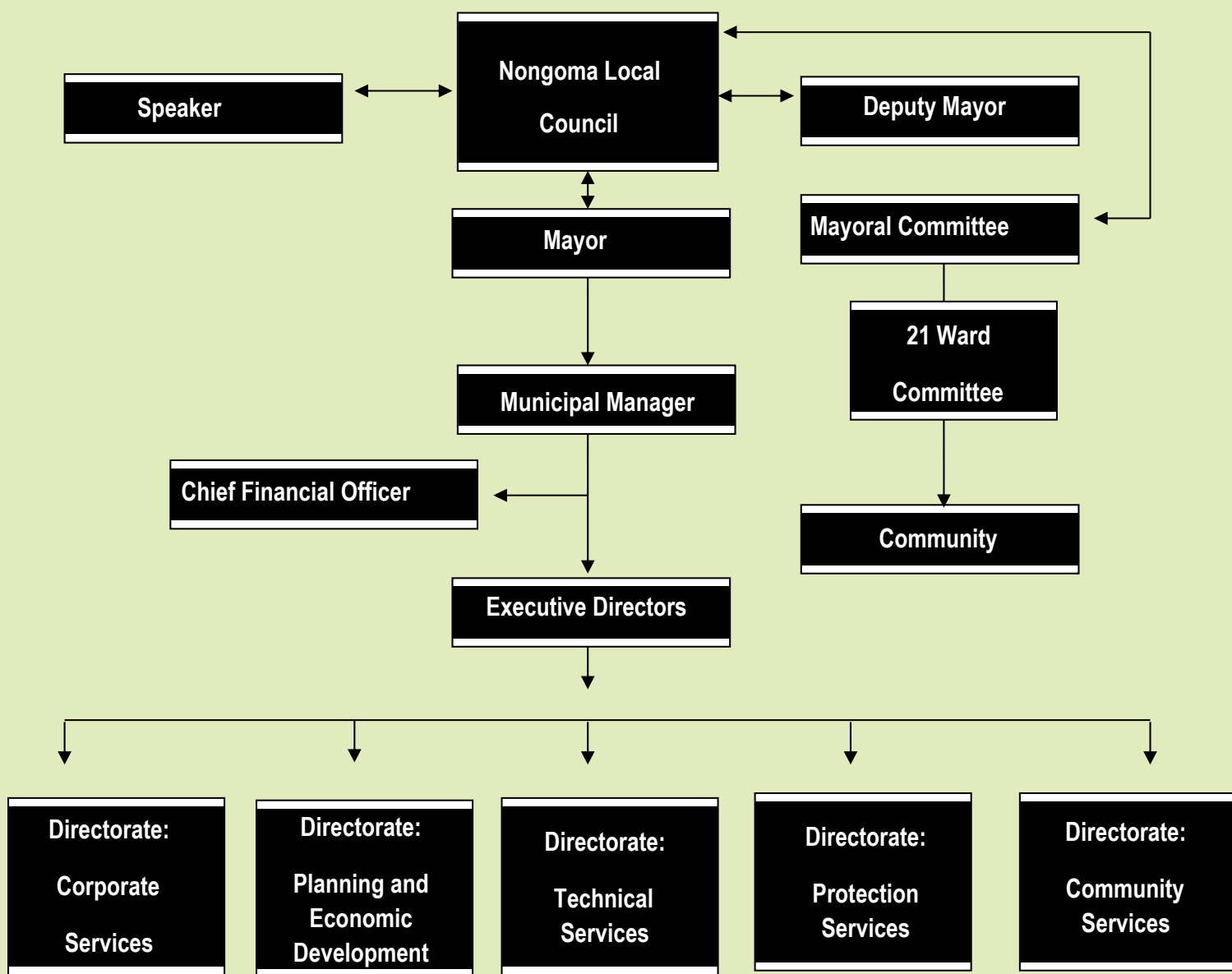
CHAPTER 3

HUMAN RESOURCES

And

**OTHER ORGANISATIONAL
MANAGEMENT**

ORGANISATIONAL STRUCTURE OF THE NONGOMA LOCAL MUNICIPALITY



NONGOMA LOCAL MUNICIPALITY STAFFING INFORMATION

Organisational Management

The purpose of this function is to recruit and retain qualified and competent staff members to render a professional support service that is well aligned to the municipality's Integrated Development Plan (IDP) as well as to the needs of the municipality's stakeholders and customers. The workforce profile of our municipality is as per the table hereunder

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	3	1			1						5
Senior management	2				2						4
Professionally qualified and experienced specialists and mid-management	3				10						13
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	8				15						23
Semi-skilled and discretionary decision making	21				15						36
Unskilled and defined decision making	61	1			59						121
TOTAL PERMANENT	98	2			102						202
Temporary employees	30				14						44
GRAND TOTAL	128	2			116						246

Terminations for the period 01 July 2011 to 30 June 2012

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	1										1
Senior management											
Professionally qualified and experienced specialists and mid-management					2						2
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	2										2
Semi-skilled and discretionary decision making	1				4						5
Unskilled and defined decision making	3				2						5
TOTAL PERMANENT	7				8						15
Temporary employees	3										3
GRAND TOTAL	10				8						18

NONGOMA LOCAL MUNICIPALITY EMPLOYMENT EQUITY INFORMATION

The Municipality developed a five (5) year Employment Equity Plan which sets out equity targets for Nongoma Local Municipality for the next five years. The plan was approved by the Corporate Services Portfolio Committee, Executive Committee and the Municipal Council.

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	3	1			1						5
Senior management	2				2						4
Professionally qualified and experienced specialists and mid-management	3				10						13
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	8				15						23
Semi-skilled and discretionary decision making	21				15						36
Unskilled and defined decision making	61	1			59						121
TOTAL PERMANENT	98	2			102						202
Temporary employees	30				14						44
GRAND TOTAL	128	2			116						246

NONGOMA LOCAL MUNICIPALITY SKILLS DEVELOPMENT INFORMATION

The Workplace Skills Plan (WSP) was developed and approved by the internal stakeholders including the Council, before it was submitted to the Local Government SETA. Reasons of inadequate funding prevented the Municipality to go on a full scale implementation to up-skill its employees informed by the skills audit conducted

Notwithstanding the many constraints, the Municipality managed to conduct a number of skills base workshops as well as other training interventions. The table below gives a brief summary of the training conducted in the year under review.

Programme	Beneficiaries	Service Providers
CPMD	4	University of Witwatersrand
ODETDP	2	Durban University of Technology
Bachelor of Technology- Civil Engineering	1	Durban University of Technology
Administrative Adjudication of Road Traffic Offenders	5	Provincial Department of Transport
Demerit Point System	5	Provincial Department of Transport
Archiving and Records Management	2	Department of Arts and Culture
Pastel Evolution Implementation	28	Camelsa Chartered Accountants

PERSONNEL EXPENDITURE HISTORY

Nature of Expenditure	2009	2010	2011	2012
Total Salaries and Wages	14, 578,930	19, 372, 419	23, 942, 873	29, 887, 750

PENSION AND MEDICAL AID FUNDS

Pension Funds

Pension Funds	Number of Members
Natal Joint Municipal Pension Fund	93
Municipal Council Pension Fund	38
Government Employees Pension Fund	8

Medical Aid Funds

Municipal personnel belong to the following Medical Aid Schemes:

Medical Aid Funds	Number of Members
Bonitas	24
Keyhealth	2
LA-Health (Discovery)	1
Medshield	19



SALARIES DISCLOSURES

Senior Management Remuneration

	2012	2011
Municipal Manager	1, 004, 915	891, 634
Chief Financial Officer	825, 673	821, 315
Corporate Services	692, 533	0
Community Services	575, 922	732, 677
Technical Services	769, 917	729, 853
Protection Services	697, 781	731, 709
Planning and Development	406, 837	750, 401

CHAPTER 4

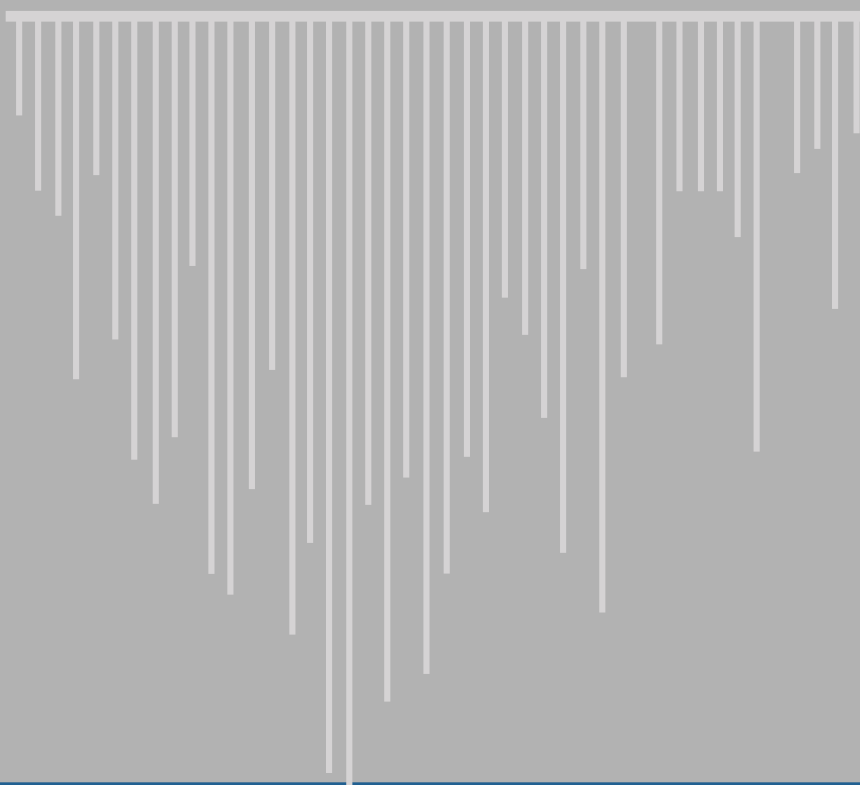
AUDITED STATEMENTS

And

RELATED FINANCIAL INFORMATION



AUDITED FINANCIAL STATEMENTS





Nongoma Local Municipality
Annual Financial Statements
for the year ended 30 June 2012

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information

Executive committee

Honourable Mayor Cllr JB Mavundla
Honourable Deputy Mayor Cllr TB Nyoka
Honourable Speaker Cllr AN Mchunu

Cllr NZ Zungu
Cllr SC Mataba
Cllr P Zulu
Cllr ME Ndwandwe

Councillors

Cllr SM Zulu
Cllr WS Zungu
Cllr NG Xaba
Cllr BJ Ntshangase
Cllr M Zungu
Cllr EM Masangu
Cllr NC Ntshangase
Cllr TJ Khumalo
Cllr ZI Mtshali
Cllr TM Dladla
Cllr NS Mankole
Cllr VM Zulu
Cllr NF Zulu
Cllr NF Sibiyi
Cllr MA Gumbi
Cllr QM Dlamini
Cllr SB Gumbi
Cllr GB Nyembe
Cllr NM Mthembu
Cllr MS Majola
Cllr BW Zulu
Cllr BD Ngubo
Cllr S Khanyi
Cllr DL Khoza
Cllr JM Ntshangase
Cllr V Zulu
Cllr MN Sokhela
Cllr HS Ngwenya
Cllr DV Gabuza
Cllr Z Mthethwa
Cllr RF Myeza
Cllr SJ Zulu
Cllr DT Mpanza
Cllr M Gcina

Grading of local authority

2

Acting Chief Finance Officer (CFO)

Mr MPE Mthembu

Acting Accounting Officer

Mr MJ Dladla

Registered office

PO Box 84
Nongoma
3950

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

General Information

Business address

103 Main Road

Nongoma

3950

Auditors

Auditor General

Attorneys

M Magigaba Incorporated Attorneys

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Index

The reports and statements set out below comprise the annual financial statements presented to the Auditor General:

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Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

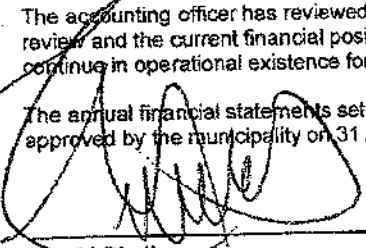
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2013 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 48, which have been prepared on the going concern basis, were approved by the municipality on 31 August 2012 and were signed on its behalf by:



Mr. M. J. Dladla
Acting Accounting Officer

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
Assets			
Current Assets			
Receivables from exchange transactions	6	8 734 424	6 601 084
Other receivables from non-exchange transactions	7	79 805	44 265
VAT receivable	8	1 458 199	1 876 774
Cash and cash equivalents	10	887 582	797 395
		11 160 010	9 319 518
Non-Current Assets			
Property, plant and equipment	3	142 666 495	87 903 190
Intangible assets	4	605 323	875 155
		143 271 818	88 778 345
Total Assets		154 431 828	98 097 863
Liabilities			
Current Liabilities			
Finance lease obligation	11	12 124	-
Payables from exchange transactions	15	25 049 982	16 975 936
Unspent conditional grants and receipts	12	20 150	3 243 880
Provisions	13	-	1 288 672
Instalment Sale Agreement	14	240 249	302 926
Bank overdraft	10	6 135 995	-
		31 458 500	21 811 414
Non-Current Liabilities			
Finance lease obligation	11	19 645	-
Operating lease liability		133 600	99 864
Provisions	13	4 876 774	3 054 332
Instalment Sale Obligation	14	1 196 718	-
		6 226 737	3 153 996
Total Liabilities		37 685 237	24 965 410
Net Assets		116 746 591	73 132 453
Net Assets			
Accumulated surplus		116 746 591	73 132 453

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Financial Performance

			Restated
Figures in Rand	Note(s)	2012	2011
Revenue			
Property rates	16	5 758 045	2 755 780
Service charges	17	1 469 540	1 011 869
Rental of facilities and equipment		139 084	657
Interest income		1 618 874	1 060 211
Fines		95 701	29 770
Licences and permits		723 273	747 688
Government grants & subsidies	18	119 025 070	88 814 947
Recoveries		-	745
Other income		313 196	289 459
Total Revenue		129 142 783	94 691 126
Expenditure			
Personnel	21	(29 887 750)	(23 942 873)
Remuneration of councillors	22	(8 854 895)	(7 389 857)
Depreciation and amortisation	25	(10 524 123)	(3 187 858)
Finance costs	26	(487 859)	(275 803)
Debt impairment	23	(1 508 066)	(6 989 859)
Collection costs		(2 046 212)	(1 135 967)
Repairs and maintenance		(2 841 575)	(1 979 938)
Contracted services		(3 681 809)	(1 914 387)
Grants and subsidies paid		(31 315)	(67 066)
General Expenses	20	(25 674 582)	(24 697 352)
Total Expenditure		(85 538 186)	(70 580 980)
Fair value adjustments	24	171 798	628 937
Gain on non-current assets held for sale or disposal groups		-	21 686
Surplus for the year		43 776 395	24 760 769

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	45 139 071	45 139 071
Adjustments		
Correction of errors per Note 30	3 232 613	3 232 613
Balance at 01 July 2010 as restated	48 371 684	48 371 684
Changes in net assets		
Surplus for the year	24 760 769	24 760 769
Total changes	24 760 769	24 760 769
Opening balance as previously reported	73 132 453	73 132 453
Adjustments		
Prior Year adjustments on Accumulated Surplus account	(162 257)	(162 257)
Balance at 01 July 2011 as restated	72 970 196	72 970 196
Changes in net assets		
Surplus for the year	43 776 395	43 776 395
Total changes	43 776 395	43 776 395
Balance at 30 June 2012	116 746 591	116 746 591

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Cash Flow Statement

			Restated
Figures in Rand	Note(s)	2012	2011
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		122 549 873	89 443 230
Interest income		1 618 874	1 060 211
		124 168 747	90 503 441
Payments			
Cash paid to suppliers and employees		(67 809 112)	(63 681 938)
Finance costs		(487 859)	(275 803)
		(68 296 971)	(63 957 741)
Net cash flows from operating activities	28	55 871 776	26 545 700
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(62 921 137)	(33 966 526)
Proceeds from sale of property, plant and equipment	3	-	89 029
Purchase of other intangible assets	4	-	(844 591)
Net cash flows used on investing activities		(62 921 137)	(34 722 088)
Cash flows from financing activities			
Movement in installment sale obligation		1 134 041	(460 076)
Prior Year adjustments		(162 257)	-
Finance lease movement		31 769	-
Net cash flows from financing activities		1 003 553	(460 076)
Net increase/(decrease) in cash and cash equivalents		(6 045 808)	(8 636 464)
Cash and cash equivalents at the beginning of the year		797 395	9 433 859
Cash and cash equivalents at the end of the year	10	(5 248 413)	797 395

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Going Concern Assumption

These annual financial statements have been prepared on a going concern basis.

1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.2 Property, plant and equipment (continued)

Item	Average useful life
Land and buildings	
• Buildings	25-30
Infrastructure	
• Roads	10-50
Other property, plant and equipment	
• Machinery and Equipment	4-15
• Furniture and office equipment	7-10
• Computers	5
• Motor vehicles	7

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each year. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.3 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale,
- there is an intention to complete and use or sell it,
- there is an ability to use or sell it,
- it will generate probable future economic benefits or service potential,
- there are available technical, financial and other resources to complete the development and to use or sell the asset,
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Financial instruments (continued)

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Bank and Cash	Financial asset measured at fair value
Trade and Other receivables	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at fair value
Installment sale obligation	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at fair value

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value.

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Accounting Policies

1.4 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Nongoma Local Municipality

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Accounting Policies

1.4 Financial Instruments (continued)

Derecognition

Financial assets

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Nongoma Local Municipality

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Accounting Policies

1.4 Financial instruments (continued)

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.6 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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Accounting Policies

1.6 Impairment of non-cash-generating assets (continued)

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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Accounting Policies

1.6 Impairment of non-cash-generating assets (continued)

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

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Accounting Policies

1.6 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.7 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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Accounting Policies

1.7 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

Nongoma Local Municipality

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Accounting Policies

1.7 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.6.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.8 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Nongoma Local Municipality

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Accounting Policies

1.8 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.9 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Nongoma Local Municipality

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Accounting Policies

1.9 Revenue from non-exchange transactions (continued)

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Nongoma Local Municipality

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Accounting Policies

1.9 Revenue from non-exchange transactions (continued)

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the fair value of the debt forgiven. Where debt is carried at a value other than fair value, the receivable is recognised at the carrying amount.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Nongoma Local Municipality

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Accounting Policies

1.9 Revenue from non-exchange transactions (continued)

Services in-kind

Services in-kind are not recognised.

1.10 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.11 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.12 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act and the Municipal Systems Act and has not been condoned by the said Acts; or
- (b) the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
- (c) the requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Presentation of currency

These annual financial statements are presented in South African Rand.

1.15 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.16 Budget information

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

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Accounting Policies

1.17 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

Standard/ Interpretation:

Effective date: Years beginning on or after

- | | |
|---|---------------|
| • GRAP 18: Segment Reporting | 01 April 2013 |
| • GRAP 23: Revenue from Non-exchange Transactions | 01 April 2012 |
| • GRAP 24: Presentation of Budget Information in the Financial Statements | 01 April 2012 |
| • GRAP 103: Heritage Assets | 01 April 2012 |
| • GRAP 21: Impairment of non-cash-generating assets | 01 April 2012 |
| • GRAP 26: Impairment of cash-generating assets | 01 April 2012 |
| • GRAP 25: Employee benefits | 01 April 2013 |
| • GRAP 104: Financial Instruments | 01 April 2012 |
| • IGRAP 7: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 01 April 2013 |
| • GRAP 106: Transfers of functions between entities not under common control | 01 April 2014 |
| • GRAP 107: Mergers | 01 April 2014 |
| • GRAP 20: Related parties | 01 April 2013 |

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3. Property, plant and equipment

	2012			2011		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land and Buildings	59 686 704	(11 431 535)	48 255 169	56 900 554	(6 437 987)	50 462 567
Infrastructure	27 235 767	(2 449 196)	24 786 571	26 943 359	(911 316)	26 032 043
Other property, plant and equipment	10 496 295	(3 559 442)	6 936 853	8 046 142	(2 300 419)	5 745 723
Leased Assets	38 584	(7 291)	32 293	-	-	-
Assets Under Construction	62 665 609	-	62 665 609	5 662 857	-	5 662 857
Total	160 123 959	(17 457 464)	142 666 495	97 552 912	(9 649 722)	87 903 190

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Newly Identified Assets at fair value	Disposals	Transfers	Depreciation	Impairment loss	Total
Land and Buildings	50 462 567	-	-	-	2 786 150	(1 754 616)	(3 238 932)	48 255 169
Infrastructure	26 032 043	169 000	-	-	123 409	(1 511 318)	(26 563)	24 786 571
Other property, plant and equipment	5 745 723	2 628 444	171 798	(190 863)	-	(1 259 986)	(168 253)	6 926 853
Leased Assets	-	39 584	-	-	-	(7 291)	-	32 293
Assets Under Construction	5 662 857	59 912 311	-	-	(2 900 559)	-	-	62 665 609
	87 903 190	62 749 339	171 798	(190 863)	-	(4 533 221)	(3 433 748)	142 666 495

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Land and Buildings	44 351 519	7 699 858	-	(1 588 810)	50 462 567
Infrastructure	6 065 279	20 587 878	-	(620 914)	26 032 043
Other property, plant and equipment	5 674 947	1 086 104	(89 029)	(936 299)	5 745 723
Assets Under Construction	1 069 971	4 592 886	-	-	5 662 857
	57 161 716	33 966 526	(89 029)	(3 136 023)	87 903 190

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3. Property, plant and equipment (continued)

Pledged as security

Carrying value of assets pledged as security:

Other Property Plant and Equipment- Motor Vehicle	1 054 295	-
The Installment Sale Agreements is with Absa Bank for the purchase of a motor vehicle at an interest rate of 8.5%. The loan is repayable over 60 months.		

4. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	891 601	(286 278)	605 323	891 601	(16 446)	875 155

Reconciliation of Intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software, other	875 155	(269 832)	605 323

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Computer software, other	39 959	844 591	(9 395)	875 155

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5. Employee benefit obligations

Defined benefit plan

The Municipality's personnel are members of Natal Joint Municipal Pension retirement funds, including the Superannuation, Retirement and Provident Funds. As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore disclosure of further details such as actuarial assumptions, cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans. An independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and an interim valuation on an annual basis. The 2012 interim valuations have not yet been released.

Retirement Fund

The interim valuation carried out on the Retirement Fund as at 31 March 2010 reflected:

- The memorandum account in respect of pensioners was fully funded on the discounted cash flow method.
 - The Funds liabilities for the contributory members exceeded the value of the assets; it is expected that the shortfall will be funded by a surcharge of 17% of pensionable emoluments by 2015.
- As at 31 March 2011, membership of the Retirement Fund decreased by 7.0% over last year; down from 4008 to 3726. The total number of pensioners and dependants increased by 1.29% to 3916. The asset value of the Fund increased from R1.84 billion to R2.06 billion, an increase of 13%. The valuation performed on the Discounted Cash Flow basis, which is based on "best estimate" assumptions of the likely future experience of the Fund disclosed that in respect of the liabilities for service to the valuation date the overall Fund was 84.1% funded. The Fund's financial position has deteriorated from the previous statutory valuation. This is mainly due to the change in the valuation assumptions, which include the following:
- It was found that the pensioner mortality assumption no longer reflects the actual mortality experience of the pensioners and that pensioner longevity is increasing. Thus it was necessary to strengthen the pensioner mortality assumptions.
 - Salary increases continue to be almost double the rate expected at the previous statutory valuation
 - The allowance for future pension increases was strengthened to better reflect the Fund's pension increase policy
- As a result of the revised assumptions it is necessary for the basic employer contribution to be increased from 13.65% to 18.37% (13.65% plus 4.72%) in order to cover the cost of the future service benefits.
- In order to fund the deficit, the surcharge (which is payable in addition to the increased basic contribution) should be increased from 17% to 17.5% from 1 July 2012 and the period of payment of the surcharge be extended from 5 to 8 years. The total rate of contribution required from the employer, including the surcharge, is thus 34.22% (18.37% plus 17.5% less 1.65 payable by members) of pensionable salaries payable for a period of 8 years. This would be the case if the Retirement Fund continued in its present form. As mentioned above for the Superannuation Fund, the merger is being implemented. Allowing for the additional benefits to remove historical discrimination when the Superannuation Fund and the Retirement Fund merge, the total rate of contribution required from the employers in the Retirement Fund is 35% from 1st July 2012 and 47% from 1st July 2013 for a period of 7 years. The Fund holds a Memorandum Account in respect to pensioners which as at 31 March 2011 was fully funded.

Superannuation Plan

The interim valuation carried out on the Superannuation Fund as at 31 March 2010 reflected:

- The memorandum account in respect of pensioners was fully funded.
 - There was a deficit in respect of active members which is being met by the surcharge of 7% of pensionable salaries, the deficit is expected to be fully funded by 2016.
 - The required contribution rate for the future service exceeded the contribution rate payable by 1.69% of pensionable salaries.
- As at 31 March 2011, membership decreased by 2.6% from 5620 to 5475. The number of Pensioners and dependant beneficiaries (including children) increased to 3752, an increase of 3.39%.
- The assets of the fund have increased from R5.1billion to R5.6billion, an increase of 11%.
- The valuation performed on the Discounted Cash Flow method, which is based on "best estimate" assumptions of the likely future experience of the Fund disclosed in respect of the liabilities for service to the valuation date the overall Fund was 90.9% funded. The Fund's financial position has deteriorated from the previous statutory valuation.
- This is mainly due to three main factors:

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5. Employee benefit obligations (continued)

- Investment earnings were 8,1% per annum on the actuarial value of assets which is less than the expected 10% per annum required in the valuation assumptions;
- Salary increases averaged 13,0% per annum over the valuation period which is double the 6,5% per annum expected in the valuation assumptions;
- The change in the valuation assumptions to reflect the actual experience of the Fund.

The high salary increases, in particular, are problematic as this not only increases the deficit in respect of accrued service benefits, and therefore results in an increase in the surcharge required to fund the increased accrued service deficit but also necessitates an increase in the required contribution for future service benefits. Thus it is necessary for the employer's basic contribution to be increased from 18,00% to 21,63% (18,00% plus 3,63%) in order to cover the cost of the future service benefits; and the total rate of contribution required from the employer, including the surcharge, is thus 31,13% (21,63% plus the surcharge of 9,5%) of pensionable salaries payable for a period of 8 years. This would be the case if the Superannuation Fund continued in its present form. However, the merger is being implemented. Allowing for the additional benefits to remove historical discrimination when the Superannuation Fund and the Retirement Fund merge, the total rate of contribution required from the employers in the Superannuation Fund is 35% from 1st July 2012 and 47% from 1st July 2013 for a period of 7 years. The Fund holds a Memorandum Account in respect to pensioners and this account as at 31 March 2011 was fully funded.

Provident Fund

The latest statutory valuation of the Provident Fund (defined contribution) as at 31 March 2009 and the interim valuation as at 31 March 2010 revealed that the fund was in a sound financial position.

The vast majority of new employees are being admitted to the Provident Fund. As at 31 March 2011, membership has increased during the year from 8 842 to 9 541; a 7,91% increase. The assets of the Fund have increased to R1,08 billion; an increase of 26,83%. In order to provide a cushion against volatility in the investment markets, the Fund holds an Investment Reserve Account. The level of this Reserve is reviewed quarterly by the Committee of Management, taking into account market conditions. At the valuation date the Investment Reserve was equal to 7%.

The assets slightly exceeded the liabilities and reserves before the declaration of the April 2011 bonus, and only showed a small deficit if the April 2011 bonus is included in the liabilities. This is not material and no further action is required as this position will automatically be corrected via the smoothed bonus approach of the Fund. The Fund's Actuary is satisfied that the assets of the Fund are appropriate given the liabilities, and that the self-insurance of the death lump sum benefit is appropriate.

Long Term Service Awards Benefits

The municipality has a policy that entitles employees to the long service award. Valuation of this provision was performed by an Actuary

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Projected Benefit Obligation	1 528 596	1 301 665

The fair value of plan assets includes:

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	1 301 665	1 066 739
Benefits Paid	(105 606)	(57 145)
Net expense recognised in the statement of financial performance	332 537	292 071
	1 528 596	1 301 665

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6. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Service cost	148 682	130 463
Interest cost	106 153	92 189
Actuarial (gains) losses	77 702	69 419
	332 537	292 071
Key assumptions used		
Assumptions used at the reporting date:		
Discount rates used	7,77 %	7,00 %
Expected increase in salaries	5,77 %	5,00 %
The above discount rate is based on market yields on government bonds as at the end of June 2012 as published by the Bond Exchange of South Africa. The salary escalation rate is based on underlying market inflation plus an allowance for the fact that on average salary increases generally exceed inflation.		
6. Receivables from exchange transactions		
Gross amount	14 135 888	10 494 481
Provision for doubtful Debtors	(5 401 464)	(3 893 397)
	8 734 424	6 601 084
Reconciliation of provision for impairment of trade receivables		
Opening balance	3 893 397	3 324 632
Provision for impairment	1 508 065	568 765
	5 401 462	3 893 397
7. Other receivables from non-exchange transactions		
Sundry Debtors	337 828	209 147
Unallocated Receipts	(258 023)	(164 882)
	79 805	44 266
Reconciliation of provision for impairment of other receivables from non-exchange transactions		
Opening balance	200 000	-
Provision for impairment	-	200 000
Total	200 000	200 000
8. VAT receivable		
VAT	1 458 199	1 876 774
9. Consumer debtors		
Gross balances		
Rates	6 984 774	5 432 708
Refuse	5 002 673	4 054 258
Other (specify)	2 148 441	1 007 515
	14 135 888	10 494 481

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9. Consumer debtors (continued)		
Rates		
Current (0 -30 days)	(18 039)	(334 079)
31 - 60 days	(104 472)	158 663
61 - 90 days	164 270	137 537
91 - 120 days	(193 442)	124 232
>121 days	7 136 458	5 346 351
	6 984 775	5 432 704
Refuse		
Current (0 -30 days)	168 883	14 524
31 - 60 days	(68 637)	85 212
61 - 90 days	102 835	74 712
91 - 120 days	95 093	72 205
>121 days	4 704 499	3 807 605
	5 002 673	4 054 258
Other-Billboards, Service Levies and Grazing Fees		
Current (0 -30 days)	9 043	(48 740)
31 - 60 days	(8 748)	3 228
61 - 90 days	(2 711)	3 128
91 - 120 days	(1 375)	2 782
121 - 365 days	345 429	389 075
	343 638	349 473

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9. Consumer debtors (continued)

Summary of debtors by customer classification

Residential

Current (0 -30 days)	155 635	(56 299)
31 - 60 days	(18 480)	96 046
61 - 90 days	959	88 670
91 - 120 days	91 530	71 765
>120 days	5 198 936	4 429 768
	5 428 600	4 629 950

Business

Current (0 -30 days)	(47 852)	(120 381)
31 - 60 days	(121 187)	118 655
61 - 90 days	125 633	85 342
91 - 120 days	(361 395)	71 659
>120 days	4 274 894	3 603 419
	3 870 093	3 758 694

Government

Current (0 -30 days)	22 417	(216 355)
31 - 60 days	(12 772)	68 093
61 - 90 days	131 658	65 323
91 - 120 days	165 428	61 993
>120 days	2 255 171	1 067 150
	2 561 902	1 048 204

Other

Current (0 -30 days)	29 687	(79 530)
31 - 60 days	(27 437)	6 616
61 - 90 days	6 141	6 165
91 - 120 days	4 712	5 958
>120 days	467 382	462 717
	470 485	401 926

Reconciliation of debt impairment provision (Trade and Other receivables)

Balance at beginning of the year	4 093 398	3 324 631
Contributions to provision	1 508 066	768 765
	5 601 464	4 093 396

Balances disclosed are stated prior to the reclassification of debtors with negative balances. Debtors reclassified to creditors is R 1 804 800 (2011: 657 701).

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	840	-
Bank balances	275 167	217 619
Short-term deposits	611 575	579 776
Bank overdraft	(6 135 995)	-
	(5 248 413)	797 395

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10. Cash and cash equivalents (continued)		
Current assets	887 582	797 395
Current liabilities	(6 135 995)	-
	(5 248 413)	797 395

The municipality utilised an overdraft facility during the year. As at 30 June 2012, the municipality had utilised R 6,135,995 of the facility. Overdraft was utilised as a result of the unexpected shortfall in the municipality's cash resources due to grant funds withheld by National Treasury. However this shortfall will be made good by equitable share that will be received in the next financial year.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2012	30 June 2011	30 June 2010	30 June 2012	30 June 2011	30 June 2010
Absa-Cheque Account-4070255864	-	-	297 386	-	-	297 386
FNB-Cheque Account - 53153278884	(6 135 995)	144 262	260 093	(6 135 995)	144 262	260 093
FNB- Provincial Grant Cheque Account - 62203756921	63	363	132 327	63	363	132 327
FNB- Bank Licensing Cheque Account - 62203761962	169 939	39 700	660 851	169 939	39 700	660 851
FNB- MIG Cheque Account - 62202226751	4 685	28 708	200 619	4 685	28 708	200 619
FNB- Call Account - 61315000549	100 480	4 586	7 333 044	100 480	4 586	7 333 044
FNB- Fixed Deposit Account - 74023879677	611 575	579 776	549 538	611 575	579 776	549 538
Total	(5 249 253)	797 395	9 433 858	(5 249 253)	797 395	9 433 858

11. Finance lease obligation

Minimum lease payments due

- within one year	21 592	-
- in second to fifth year inclusive	12 524	-
	34 116	-
less: future finance charges	(2 347)	-
Present value of minimum lease payments	31 769	-

Present value of minimum lease payments due

- within one year	12 124	-
- in second to fifth year inclusive	19 645	-
	31 769	-
Non-current liabilities	19 645	-
Current liabilities	12 124	-
	31 769	-

It is municipality policy to lease certain cellphones under finance lease.

The average lease term was 2 years.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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12. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Finance Management Grant (FMG)	-	1 228 000
Municipal Infrastructure Grant (MIG)	-	1 792 202
Neighbourhood Development Partnership Grant (NDPG)	-	223 678
Tourism Grant from Zululand District Municipality	20 150	-
	20 150	3 243 880
Movement during the year		
Balance at the beginning of the year	3 243 880	10 948 200
Additions during the year	62 713 339	31 691 966
Income recognition during the year	(65 937 069)	(39 396 286)
	20 150	3 243 880

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

Nongoma Local Municipality

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13. Provisions

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Actuarial Gains/Losses	Change in discount factor	Total
Rehabilitation of landfill site	3 041 339	17 913	-	-	288 927	3 348 179
Employee benefit cost	1 301 665	-	(105 608)	332 538	-	1 528 595
	4 343 004	17 913	(105 608)	332 538	288 927	4 876 774

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Actuarial Gains/Losses	Change in discount factor	Total
Environmental rehabilitation	2 616 725	160 753	-	-	263 861	3 041 339
Employee benefit cost	1 066 739	-	(57 145)	292 071	-	1 301 665
	3 683 464	160 753	(57 145)	292 071	263 861	4 343 004
Non-current liabilities					4 876 774	3 054 332
Current liabilities					-	1 288 672
					4 876 774	4 343 004

Environmental rehabilitation provision

The provision for rehabilitation for landfill site represents management's best estimate of the municipality's liability relating to closure and rehabilitation of the site. These costs are expended in the year of closure and typically relate final shaping and compacting works, capping, top soiling and vegetation as well as constructing stormwater control systems. It also includes costs associated with erection of a proper fence (if not yet in place), decommissioning of any infrastructure and erection of end-use related infrastructure.

Rehabilitation costs were calculated based on the following assumptions:

- Site will be classified as communal
- Landfill footprint estimated on site. Coordinates of the footprint then determined through GPS. Area for rehabilitation measured from GPS
- No leachate control is required
- It is assumed that topsoil/ coversoil is available near the site
- As the site is currently not fenced, allowance has been made to fence the site.
- The site currently includes:
 - P&G's at 20% of construction item costs
 - Contingencies at 10% of total construction costs
 - Design Fees at 14% of total costs (construction and contingencies);
- All costs exclude VAT
- The Basic Assessment Report (BAR) process and waste license application requires the same effort for the licensed site, it is further assumed that no specialist studies will be required

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13. Provisions (continued)

- Post closure monitoring costs not included (assumed to be nominal as the site is communal)

The following factors may influence the actual costs of the environmental processes and construction works:

- Consolidation of various environmental authorisation processes may potentially result in a cost saving by up to 25%. A consolidated process however carries a risk that a complication with a single project component or aspect could result in a delay of the entire application and therefore the approval and implementation of all components.
- Infrastructure and facilities associated with each of the proposed upgrade works may trigger the need for additional authorisation processes or result in the need for an expanded statutory process (e.g. EIA instead of basic Assessment), resulting in a cost variation.
- Depending on the final location and the extent of the proposed landfill works, and the local environmental opportunities and constraints, specialist studies may be required.
- Legislative and environmental authorisation requirements (and their administration) are subject to change.
- Project costs were estimated using the current market related prices and are subject to escalation. The project commencement date and overall project duration will therefore have an effect on the final project costs.
- Public participation processes are inherently unpredictable and can be influenced by the level of interest shown by Interested and Affected Parties (I&APs) and the nature of the issues raised. Any Environment Assessment Practitioner undertaking the work will be legally and procedurally required to respond to such interest with due diligence.

Provision for Long Service Award

The municipality has a policy to provide long service awards to employees who are continuously at the employment of the municipality based on the prescribed periodic brackets. The award is the remuneration of the employee as at the date of the award.

The discount rate used is based on market yields on government bonds as at the end of June 2012 as published by the Bond Exchange of South Africa. The salary escalation rate is based on underlying market inflation plus an allowance for the fact that on average salary increases generally exceed inflation. Factored into the valuation are also the demographic and mortality assumptions.

14. Installment Sale Obligation

The Installment Sale Agreements is with Absa Bank for the purchase of a motor vehicle at an interest rate of 8.5%. The loan is repayable over 60 months. The liability is secured against vehicles with a net book value of price of R 1 054 295.

Refer to Appendix A for details.

15. Payables from exchange transactions

Trade payables	11 534 116	1 341 677
Other payables	1 291 449	3 899
Accrued Leave Pay	4 067 478	3 411 227
Deposits received	22 361	6 161
Sundry Creditors	8 134 578	12 212 972
	25 049 982	16 975 936

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16. Property rates		
Rates received		
Gross Rates	6 369 882	4 705 588
Rates Clearance Certificates	240	800
Less: Income forgone	(612 077)	(1 950 408)
	5 758 045	2 755 780
Valuations		
Residential	84 005 620	84 005 620
Business	89 050 000	89 050 000
State Owned Properties	143 333 000	143 333 000
Agriculture	398 130 000	398 130 000
Special	15 820 000	15 820 000
Public Service Infrastructure	1 242 000	1 242 000
Vacant Land	3 155 000	3 155 000
	734 735 620	734 735 620

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2008. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on a monthly basis.

The new general valuation will be implemented on 01 July 2013.

17. Service charges

Refuse removal	1 469 540	1 011 869
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18. Government grants and subsidies		
Equitable share	53 088 000	49 418 662
Finance Management Grant (FMG)	1 450 000	1 667 466
Municipal Systems Infrastructure Grant (MSIG)	790 000	897 803
Provincial Grant: Provincialisation of Libraries	233 340	310 966
Tourism Grant	79 850	80 000
Management Assistance Programme	-	200 000
Municipal Infrastructure Grant (MIG)	22 660 202	24 463 728
Neighbourhood Development Partnership Grant (NDPG)	40 723 678	11 776 322
	119 025 070	88 814 947
Equitable Share		
Current-year receipts	53 088 000	49 418 662
Conditions met - transferred to revenue	(53 088 000)	(49 418 662)
	-	-
Finance Management Grant (FMG)		
Balance unspent at beginning of year	1 228 000	1 695 466
Current-year receipts	1 450 000	1 200 000
Conditions met - transferred to revenue	(1 450 000)	(1 667 466)
Surrendered	(1 228 000)	-
	-	1 228 000
Provincial Grant: Provincialisation of Libraries		
Current-year receipts	223 340	310 966
Conditions met - transferred to revenue	(223 340)	(310 966)
	-	-
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	1 792 202	8 904 930
Current-year receipts	20 868 000	17 351 000
Conditions met - transferred to revenue	(22 660 202)	(24 463 728)
	-	1 792 202
Neighbourhood Development Partnership Grant (NDPG)		
Balance unspent at beginning of year	223 678	-
Current-year receipts	40 500 000	12 000 000
Conditions met - transferred to revenue	(40 723 678)	(11 776 322)
	-	223 678
Management Assistance Programme Grant (MAP)		
Current-year receipts	-	200 000
Conditions met - transferred to revenue	-	(200 000)
	-	-
Municipal Systems Improvement Grant (MSIG)		

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
18. Government grants and subsidies (continued)		
Balance unspent at beginning of year	-	147 803
Current-year receipts	790 000	750 000
Conditions met - transferred to revenue	(790 000)	(897 803)
	-	-
Tourism Grant		
Current-year receipts	100 000	80 000
Conditions met - transferred to revenue	(79 850)	(80 000)
	20 150	-
19. Other revenue		
Recoveries (Lost Books)	-	745
Sundry Income	313 196	269 459
	313 196	270 204
20. General expenses		
Advertising	293 233	279 885
Auditors remuneration	1 006 050	1 353 154
Bank charges	170 825	135 762
Cleaning	1 215 521	1 544 386
Consulting and professional fees	7 759 210	10 080 690
Donations	153 797	-
Entertainment	614 777	239 824
Insurance	525 399	395 304
Community development and training	2 980 804	3 644 183
Conferences and seminars	235 554	35 521
Lease rentals on operating lease	1 444 307	730 543
Fuel and oil	558 652	586 676
Postage and courier	18 136	-
Printing and stationery	493 574	521 728
Protective clothing	9 914	-
Software expenses	414 953	113 402
Subscriptions and membership fees	219 365	333 254
Telephone and fax	564 277	422 975
Transport and freight	428 194	317 066
Training	761 568	494 237
Travel - local	2 342 212	862 414
Electricity	310 658	329 949
Refuse	1 007 719	-
Uniforms	296 601	504 800
Consumables	39 157	227 003
Other Expenses	1 792 212	1 383 842
Restructuring	17 913	160 754
	25 674 582	24 697 352

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
21. Employee related costs		
Basic	18 410 868	16 045 533
Bonus	1 033 913	-
Medical aid - company contributions	651 695	-
UIF	214 191	-
SDL	293 466	-
Leave pay provision charge	1 341 265	986 617
Provision for Long term Service Award	3 865 275	3 955 845
Travel, motor car, accommodation, subsistence and other allowances	2 433 677	1 702 818
Overtime payments	1 618 837	1 252 060
Other Benefits	24 573	-
	29 887 750	23 942 873

Remuneration of Municipal Manager

Annual Remuneration	664 954	593 164
Allowances	135 697	163 681
Contributions to UIF, Medical and Pension Funds	160 486	134 789
Other	23 778	-
	1 004 915	891 634

Remuneration of the Chief Finance Officer

The position of Chief Financial Officer was performed by use of a consulting service. The consultant is not registered on Nongoma's payroll. The cost amounting to R 825 673 (2011: R 821 315) related to this service has therefore been included under Professional fees. Refer to note 20

Remuneration of Executive Director: Corporate Services

Annual Remuneration	493 796	-
Allowances	153 437	-
Contributions to UIF, Medical and Pension Funds	8 085	-
Other	37 215	-
	692 533	-

Executive Director: Corporate Services was appointed as an Acting Municipal Manager with effect from 11 January 2011.

Remuneration of Director: Technical Services

Annual Remuneration	529 550	511 413
Allowances	65 856	81 743
Contributions to UIF, Medical and Pension Funds	156 306	136 697
Other	18 206	-
	769 917	729 853

Remuneration of Executive Director: Community Services

Annual Remuneration	401 697	511 413
Allowances	74 630	95 894
Contributions to UIF, Medical and Pension Funds	91 252	125 370
Other	8 343	-
	575 922	732 677

Remuneration of Executive Director: Planning Services

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
21. Employee related costs (continued)		
Annual Remuneration	271 253	511 413
Allowances	51 112	93 321
Contributions to UIF, Medical and Pension Funds	83 982	145 667
	406 347	750 401
Remuneration of Executive Director: Protection Services		
Annual Remuneration	529 550	511 413
Allowances	114 000	136 679
Contributions to UIF, Medical and Pension Funds	46 949	83 617
Other	7 282	-
	697 781	731 709
22. Remuneration of councillors		
Mayor's Allowance	280 570	348 060
Deputy Mayor's Allowance	224 181	19 625
Executive Committee Allowances	1 038 712	1 318 590
Speaker's Allowance	433 855	523 950
Councillors	6 022 112	4 683 603
Medical Aid and pension	855 465	496 029
	8 854 895	7 389 857
In-kind benefits		
Speaker is on full-time basis. The Honourable Mayor and Deputy Mayor are full-time with effect from 1 July 2012. The Mayor, Deputy Mayor and Speaker are each provided with an office and secretarial support at the cost of the Council.		
The Honourable Mayor has three full-time bodyguards and three full-time drivers. Speaker has two full-time bodyguards.		
23. Debt impairment		
Contributions to debt impairment provision	1 508 066	5 989 859
24. Fair value adjustments		
Investment property (Fair value model)	171 798	628 937
25. Depreciation and amortisation		
Property, plant and equipment	10 254 292	3 178 463
Intangible assets	269 831	9 395
	10 524 123	3 187 858
26. Finance costs		
Interest on bank overdraft	162 582	11 943
Unwinding of Interest	325 277	263 860
	487 859	275 803
27. Auditors' remuneration		
Fees	1 006 050	1 353 154

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

	2012	2011
28. Cash generated from operations		
Surplus	43 776 395	24 760 769
Adjustments for:		
Depreciation, Impairment and amortisation	8 236 801	3 187 858
(Gain)/ Loss on disposal of non current assets	190 863	(21 686)
Fair value adjustments	-	(628 937)
Movement in provision for doubtful debtors	1 508 067	5 989 859
Movements in operating lease assets and accruals	33 936	94 470
Actuarial Gains and Losses	332 538	292 071
Payments for long service awards	(105 608)	(57 145)
Contribution to provisions	17 913	160 753
Unwinding of interest on provisions	288 927	263 861
Changes in working capital:		
Other receivables from non-exchange transactions	(35 540)	608 187
Consumer debtors	(3 641 407)	(503 079)
Payables from exchange transactions	8 074 046	1 979 810
VAT	418 575	(1 876 771)
Unspent conditional grants and receipts	(3 223 730)	(7 704 320)
	55 871 776	26 545 700

29. Commitments

Authorised capital expenditure

Authorised and contracted for

• MIG Projects	25 314 000	1 792 202
• Bypass Road	20 554 000	-
• R66 Road	-	18 754 847
• Bus and Taxi Rank	-	23 410 558
• Testing Ground	6 000 000	-
• Other Property, plant and Equipment	5 500 650	-
	57 368 650	43 957 607

Not yet contracted for and authorised by accounting officer

• MIG Projects	-	20 868 000
• NDPG Projects	-	10 000 000
• Testing Ground	-	2 500 000
• Other Property, Plant and Equipment items	-	4 129 700
	-	37 497 700

This committed expenditure relates to property and will be financed by grants, available bank facilities, retained surpluses, existing cash resources.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 006 449	326 347
- in second to fifth year inclusive	2 257 749	622 811
	3 264 198	949 158

Operating lease payments represent rentals payable by the municipality for certain of its equipment and buildings. Lease terms and rentals vary depending on each contract. No contingent rent is payable.

30. Prior period errors

1. Provision for Post Retirement Benefit

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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30. Prior period errors (continued)

Provision for post retirement benefit was done in the previous years. The municipality does not have obligation with regards thereto.

2. Operating Leases

The municipality had not done the calculation to straight line operating leases in previous years.

3. Provision for Long Term Service Awards

The municipality has not provided for an obligation in respect of long term service awards in the prior years.

4. Property Rentals

The balance owed from property rentals was not accrued for in the previous year in respect of property leased by the municipality on behalf of its employee. It was subsequently discovered and therefore adjusted for.

5. Property, Plant and Equipment

Depreciation was incorrectly calculated in the prior year. The error has been adjusted for.

6. Intangible Assets

Amortisation was incorrectly calculated in the prior year. The error has been adjusted for.

The correction of the error(s) results in adjustments as follows:

Statement of financial position

Defined Plan benefit	-	2 500 000
Operating lease accrual	-	(99 694)
Provision for long term service award	-	(1 301 665)
Creditors Suspense	-	(69 398)
Opening Accumulated Surplus or Deficit	-	(3 232 613)
Accumulated Depreciation	-	1 374 327
Accumulated Amortisation	-	339 356
Property, Plant and Equipment- Cost	-	1 006 448

Statement of Financial Performance

Actuarial Gains/Losses	-	564 071
Rental	-	37 325
Property Rentals	-	69 398
Depreciation	-	(863 653)
Amortisation	-	(323 932)

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

31. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings in the form of installment sale obligation as disclosed in note 14 and 11 cash and cash equivalents disclosed in note 10, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2012 and 2011 respectively were as follows:

Total borrowings

Finance lease obligation	11	31 769	-
Installment Sale Obligation	14	1 436 967	302 926
		1 468 736	302 926
Less: Cash and cash equivalents	10	(5 248 413)	797 394
Net debt		6 717 149	(494 468)
Total equity		116 746 591	69 383 050
Total capital		123 463 740	68 888 582

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk), liquidity risk and credit risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2012 and 2011, the municipality's borrowings were denominated in the Rand.

Fair value interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Fixed interest loan from Absa Bank	8,50 %	240 249	1 196 718	-	-	-

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand

2012

2011

31. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. Sales to retail customers are settled in cash or using major credit cards.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2012	2011
Cash Deposits	611 575	579 776
Bank overdraft	(6 135 995)	-
Other Bank Balances	275 166	217 618
Other Cash Equivalents	840	-
Consumer Debtors (Net of provisions)	8 734 424	6 601 083

32. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

33. Unauthorised expenditure

Unauthorised expenditure	12 728 824	7 239 558
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Amounts overspent include Salaries, wages and allowances, Finance Costs, Depreciation, Debt impairment, Collection costs, contracted services.

34. Irregular expenditure

Opening balance	9 697 461	-
Add: Irregular Expenditure - current year	38 881 177	9 697 461
Less: Amounts condoned	(23 696 026)	-
	24 882 612	9 697 461

Analysis of expenditure awaiting condonation per age classification

Current year	15 185 151	9 697 461
Prior years	9 697 461	-
	24 882 612	9 697 461

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Non Compliance with the municipality's SCM policy	None	38 881 177

Details of irregular expenditure not recoverable (not condoned)

Non Compliance with SCM Regulations	13 269 259
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35. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance has been presented in Appendix E(1).

Nongoma Local Municipality

Annual Financial Statements for the year ended 30 June 2012

Notes to the Annual Financial Statements

Figures in Rand	2012	2011
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36. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year membership fee	138 853	126 230
Amount paid - current year	(138 853)	(126 230)

The municipality is the member of South African Local Government Association (SALGA) in respect of which annual membership fees are paid.

Audit fees

Opening balance	1 437	-
Current year audit fee including VAT and interest charged	1 148 434	1 056 679
Amount paid - current year	(1 013 161)	(1 055 242)
Amount paid - previous years	(1 437)	-
	135 273	1 437

PAYE and UIF

Current year amount raised	4 483 733	3 109 664
Amount paid - current year	(4 078 437)	(3 109 664)
	405 296	-

Pension and Medical Aid Deductions

Opening balance	252 403	2 005 836
Current year amount raised	7 646 942	6 720 661
Amount paid - current year	(6 927 696)	(6 720 661)
Amount paid - previous years	(252 403)	(1 753 433)
	719 246	252 403

VAT

VAT receivable	1 458 199	1 876 774
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The municipality is on the payment basis of VAT. VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the year.

NONGOMA MUNICIPALITY

SCHEDULE OF EXTERNAL LOANS AND INTERNAL ADVANCES
FOR THE YEAR ENDED 30 JUNE 2012

	Interest Rate	Repayment Date	Balance at 01/07/2011 R	Received During the Year R	Redeemed During the Year R	Adjustments R	Balance at 30/6/2012 R
OTHER LOANS							
Absa bank- Isuzu acc no:81416201		30/09/2016		1 630 532.00	(193 565)		1 436 967
Wesbank - Motor Grader Deal No FBK047/0004H		11/02/2011	223 869		(218 067)	(5 451)	
Wesbank - Nissan X 2 Deal No FBK047/0002K		11/02/2011	22 891		(22 334)	(2 012)	
Wesbank - RAV 4 Deal No FBK047/0003J		11/02/2011	56 166		(54 798)	(1 368)	
			302 926	1 630 532	(488 754)	(8 831)	1 435 873

Asset class	Class code	Cost	Reclassification into the class comparisons	Revised balance at 31 Dec 2010	Balance 2011	Disposal	Balance at end 2011	Months address	Units address	AUC address	Revised report at end of the year	Disposal	Balance at end 2011
Land	1	5,185,874.76		1,154,977.59			5,185,874.76						5,185,874.76
Buildings	2	9,011,035.00	187,216.00	1,461,530.00			8,823,809.00						8,823,809.00
Buildings under construction	21	30,319,763.81	1,767,000.00	1,201,130.00	1,098,470.00		30,319,763.81						30,319,763.81
Buildings under construction	22												
Buildings under construction	23												
Buildings under construction	24												
Buildings under construction	25												
Buildings under construction	26												
Buildings under construction	27												
Buildings under construction	28												
Buildings under construction	29												
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Buildings under construction	68												
Buildings under construction	69												
Buildings under construction	70												
Buildings under construction	71												
Buildings under construction	72												

[illegible]

[illegible]

Nangoma Local Municipality

APPENDIX C SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

31/03/2017

	Cost / Revaluation			Accumulated Depreciation			Impairment			Carrying value
	Opening Balance	Assets under Construction	Assets Identified	Disposals	Closing Balance	Opening Balance	Disposals	Adjustment	Closing Balance	
	R	R	R	R	R	R	R	R	R	R
Administration	308 853	585 504	12 012		161 689	64 350	87 338	1 106	1 156	121 236
Executive Services	18 824	2 001 481	86 000		185 332	6 853	175 580	40	40	1 953 964
Development and Planning	1 211 185	25 610 370			283 106	229 852	53 545	10 265	19 286	26 002 465
Finance	37 646 131	33 681 183	5 028		1 428 233	524 316	1 513 817	9 981 751	9 981 751	59 210 847
Human Resources	1 807 564	32 037	794		480 536	371 859	102 733	102 807	102 307	960 660
Libraries	251 133		105		118 820	90 652	26 183	780	780	131 522
Logistics	37 287				14 373	8 802	6 271	419	419	21 996
Security	31 320	28 740			15 892	10 040	5 852	-	-	46 377
Technical Services	55 456 054	172 797	(580 622)		8 192 427	8 074 274	12 18 103	(873 885)	332 580	49 533 208
Township	117 915	32 408			70 704	50 015	20 689	6 453	6 453	12 387
Other	3 857 888	9 706			1 640 441	1 223 869	571 003	5 804	5 804	2 008 159
Total	87 553 912	52 780 715	0	171 168	13 069 978	8 443 274	2 338 031	3 433 747	1 445 185	147 778 556

Nongoma Local Municipality
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2012

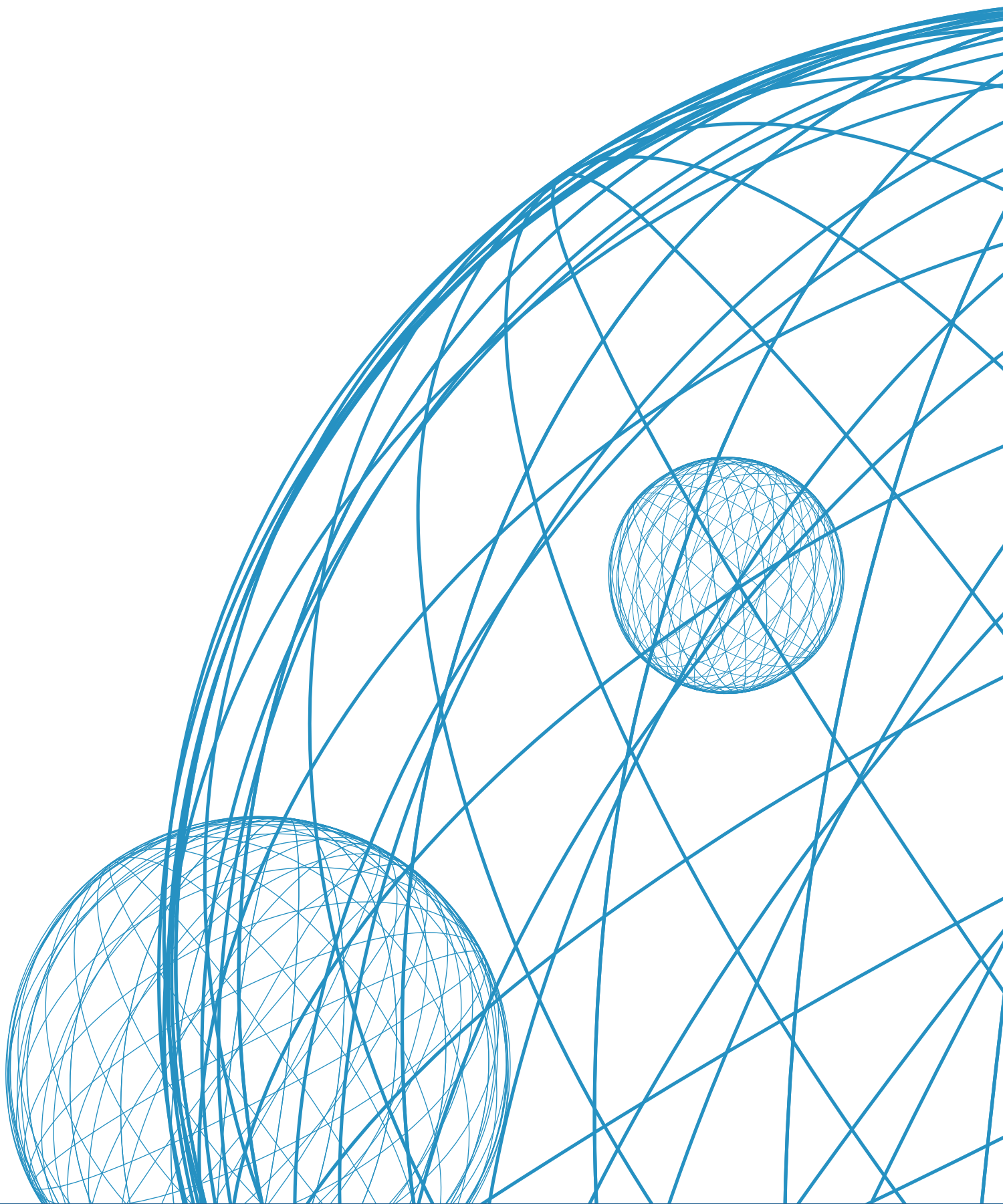
2011	2011	2011		2012	2012	2012
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
	23 863 692	(23 833 692)	Corporate Services		14 400 979	(14 400 979)
750 460	4 405 954	(3 655 493)	Planning & development	5 357	5 532 790	(5 527 433)
745	5 598 678	(5 597 933)	Community Services	167 875	6 282 387	(6 124 413)
			Council		13 624 212	(13 624 212)
54 171 287	22 224 720	31 945 565	Finance	83 081 997	19 677 757	43 104 280
28 770	736 906	(707 136)	Traffic and Security	164 205	3 563 907	(3 378 702)
38 205 547.00	1 604 548	37 201 198	Roads	52 553 120	11 933 282	52 059 858
	8 187 124	(8 187 124)	Tourism		878 983	(878 983)
1 011 865.60	84 486	927 379	Retiree	1 459 540	5 721 530	(7 251 990)
	3 530 003	(3 530 003)	Management			
94 765 679	70 008 911	24 756 768		128 862 194	85 176 797	43 776 397
			Less: Inter-Department Charges			
94 765 679	70 008 911	24 756 768	Total	128 862 194	85 176 797	43 776 397

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

STATEMENT OF COMPARATIVE AND ACTUAL INFORMATION

as at 30 June 2012

Description	Original Budget		Adjustments (L.W. 228 & 437 of The MFMA)		Virement (L.W. Council Approved By- law)		Final Budget		Actual Outcome As % of Final Budget	Actual Outcome As % of Original Budget
	1	2	3	4	5	6	7	8		
Financial Performance										
Property Rates	4 182 537.00	1 600 971.00		5 783 508.00	5 758 045.00		-35 463.00		-0.61%	137.34%
Service Charges	1 004 230.00	480 305.00		1 484 535.00	1 489 540.00		-14 995.00		-1.01%	146.34%
Rental of facilities and equipment	153 700.00			153 700.00	158 084.00		-4 384.00		-2.81%	99.40%
Interest Income	626 576.00	46 000.00		626 576.00	1 010 874.00		993 298.00		158.78%	268.78%
Fines	30 220.00			70 920.00	95 781.00		16 861.00		24.28%	305.51%
Grants and permits	2 795 000.00	-2 010 000.00		785 000.00	723 273.00		-31 727.00		-4.29%	26.18%
Government grants and subsidies	56 028 000.00			56 109 000.00	55 641 190.54		-10 458 809.46		-18.65%	84.27%
Other Own Revenue	537 812.00	469 500.00		1 007 312.00	313 195.00		-1 167 303.54		-60.37%	33.39%
Total Revenue (Excluding Capital Transfers & Contributions)	75 735 676.00	1 569 325.00		76 765 207.00	55 758 303.54		-21 006 893.46		-27.37%	108.26%
Employee Costs	25 751 446.00			20 874 085.00	20 897 750.00		3 612 765.00		14.62%	117.53%
Remuneration of Councillors	11 146 833.00			11 146 833.00	8 854 802.00		-2 291 931.00		-20.59%	79.44%
Debt Impairment	289 872.00			289 872.00	1 509 968.00		1 239 104.00		458.81%	558.91%
Depreciation, Amortisation & Asset Impairment	3 129 234.00			3 129 234.00	10 524 123.00		7 394 889.00		238.32%	338.32%
Finance Charges	1 190 182.00			1 190 182.00	497 536.00		-400 607.00		-52.15%	43.99%
Contracted Services	3 787 000.00			4 082 000.00	3 861 803.00		-49 197.00		-1.03%	98.00%
Other Expenditures	30 903 942.00	4 969 504.00		35 829 446.00	30 593 864.00		-5 335 582.00		-13.28%	98.74%
Total Expenditure	77 238 597.00	3 477 553.00		80 716 150.00	69 530 360.00		-11 185 790.00		-13.85%	132.87%
Surplus/(Deficit)	-1 502 714.00	-2 417 927.00		-3 950 943.00	-13 772 056.46		-10 821 113.46		-71.91%	-82.07%
Transfers Recognised - Capital & Contributable Assets	32 164 961.00	31 502 302.00		63 667 163.00	63 338 379.48		-328 783.52		-0.44%	99.00%
Contributions Recognised - Capital & Contributable Assets	30 692 247.00	29 084 131.00		59 748 929.00	371 768.00		-59 377 161.00		-99.39%	0.00%
Surplus/(Deficit) After Capital Transfers & Contributions	30 662 247.00	29 084 131.00		59 748 929.00	43 776 388.00		-15 972 541.00		-27.41%	-40.93%
Share Of Surplus/(Deficit) Of Associate									0.00%	
Surplus/(Deficit) For The Year	30 662 247.00	29 084 131.00		59 748 929.00	43 776 388.00		-15 972 541.00		-27.41%	-40.93%
Capital Expenditure & Funds Sources										
Capital Expenditure										
Transfers Recognised - Capital	32 164 961.00	30 986 241.00		63 180 702.00	55 599 894.26		-7 580 807.74		-11.87%	172.60%
Public Contributions & Donations					1 150 958.00		958.00		0.00%	0.00%
Borrowing	17 800 000.00	-15 641 000.00		1 159 000.00	8 022 281.74		239 238.26		6.09%	6.52%
Internally Generated Funds	1 869 500.00	4 390 000.00		6 259 500.00	6 259 500.00		-		-0.00%	322.03%
Total Sources of Capital Funds	51 834 461.00	18 744 241.00		70 578 702.00	62 788 114.00		-7 790 588.00		-15.71%	551.40%
Cash/Debt										
Net Cash From/(Used) Operating	36 229 759.00			60 955 482.00	55 871 778.00		-5 123 706.00		-8.40%	154.22%
Net Cash From/(Used) Investing	-47 734 987.00			-70 578 702.00	-62 971 127.00		7 657 665.00		-10.85%	131.87%
Net Cash From/(Used) Financing	12 545 416.00	-11 503 106.00		1 042 310.00	1 093 553.00		-38 754.00		-3.76%	6.00%
Cash/Cash Equivalents At The Beginning of the Year				797 395.00	797 395.00		-		0.00%	0.00%
Cash/Cash Equivalents At The Year End	1 039 217.00	8 540 330.00		-7 743 013.00	-5 248 413.00		2 495 105.00		-22.87%	284.03%



REPORT OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON NONGOMA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Nongoma Municipality set out on pages 5 to 50, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Nongoma Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DORA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 30 to the financial statements, the corresponding figures for 2010-11 have been restated as a result of an error discovered during 2011-12 in the financial statements of the Nongoma municipality at, and for the year ended 2011-12.

As disclosed in note 30 of the financial statements, the corresponding figures relating to the Provision for post-retirement benefit, operating lease, provision for long term service awards, property rentals, property plant and equipment and intangible assets have been restated due to errors identified in the current financial period.

Irregular expenditure

9. As disclosed in note 33 irregular expenditure amounting to R1,4million was incurred by the Municipality as a result of the contravention of the SCM regulations.

Material losses/ Impairments

10. The Municipality's provision for doubtful debts increased by R1 508 066 in the current financial period resulting in the debt impairment movement in the statement of financial position.
11. The Municipality incurred R3 433 744 impairment on Property Plant and equipment during the year under review as per note 3 of the Annual Financial Statements.

Additional matters

12. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited supplementary schedules

13. The supplementary information set out on pages 49 – 53 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the performance information in the Nongoma Municipality annual performance report as set out on pages 102 to 147 of the annual performance report.

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and

time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

There were no material findings on the Nongoma Municipality annual performance report concerning the usefulness and reliability of the information

Additional matters

We draw attention to the following matters below. These matters do not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

15. Of the total number of 105 targets planned for the year, 34 of targets were not achieved during the year under review. This represents 30% of total planned targets that were not achieved during the year under review. This was as a result of the institution not considering relevant systems and evidential requirements during the annual strategic planning process

Material adjustments to the Nongoma Municipality draft annual report

16. Material audit adjustments in the draft annual performance report were identified during the audit, of which were corrected by management

Compliance with laws and regulations

17. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Strategic Planning and performance management

18. Contrary to section 62(1)(c)(i) of the MFMA Act, the accounting officer received the audit request for preparation of the audit file in February 2012. These documents were not ready when the audit commenced on 10th of September.
19. Contrary to section 46(2)(a) of the MFMA Act, we identified that council had not approved the purchase of the ISUZU purchase on finance lease neither was a resolution passed for this purchase on finance lease.
20. Contrary to section 127 (5)(a), we identified that the municipality's website is not operating effectively, hence reports are not made via this medium. On enquiry with the CFO, he stated that an advertisement was placed in the local newspaper, Ilanga. We have not received any evidence of this advertisement being placed.
21. Contrary to section 129(3), no evidence of the oversight report being made public could be identified.
22. Contrary to section 129(1), no evidence of the oversight report could be identified.

23. Contrary to the GRAP framework, paragraph 37, the amount of R581.16 which had been recorded in the incorrect accounting period.
24. Contrary to section 62(1)(c)(i) of the MFMA Act, bank reconciliations could not be identified.
25. Contrary to section 62(1)(c)(i) of the MFMA Act, certain bank reconciliation were not unauthorized.
26. Contrary to section 45(3) there was an amount of R135, 995 that was not approved by the council for overdraft facilities.
27. Contrary to S9 of the MFMA, no evidence could be furnished in respect of the Municipality's submission of the bank detail to the Auditor-General at the beginning of the financial year.
28. Contrary to section 62(1)(c)(i), no evidence was found for employee performance assessments for the 2010/2011 financial period.
29. Contrary to section 75 of the MFMA Act, inspection of the municipality's website indicated that the website is inactive therefore no evidence could be obtained to verify that the requirements of section 75 of the MFMA are met.
30. Contrary to section 62(1)(c)(i) of the MFMA Act, during our audit we identified that the organization structure recorded in the audit file was not up to date (the municipal manager was disclosed as VP Zulu. The current MM is Mr. BE Ntanzi). On enquiry with Mr. Dladla (director of corporate services) an additional high-level structure was given to us. This however excludes the heads of financial services and traffic, VIP protection & licensing services.
Furthermore, when comparing the detailed organizational organogram, the list of positions was compared to a list of vacancies for the year ending 30 June 2012. We noted that the following positions were listed as vacant however were not budgeted for as per the organogram. 1) Drive r operator refuse, 2) SCM manager, 3) 4 fire fighters, 4) 2 body guards.
31. Contrary to section 70(1)(ii), there was no evidence during the year for approval of overspending by the municipal council.
32. Contrary to section 71(1) of the Act, we identified that the listing of documents submitted to the National Treasury were submitted late to the treasury, except for the months of February 2011 and May 2011.
33. Contrary to section 71(2), per inspection of the report, no projection of revenue and expenditure were detailed.
34. Contrary to section 62(1)(c)(i) of the MFMA Act, we identified that there are no controls over the work performed of an outside institution (PricewaterhouseCoopers, KPMG and Aurecon) and over the completeness and accuracy of the information provided to the outside service organization.
35. Contrary to section 62(1)(c)(i) of the MFMA Act, the cashier does not always sign the Daily Banking Register as evidence of taking the money. Furthermore, internal audit confirmed that she is not accompanied by a security guard to the bank to make the deposit.

36. Contrary to section 62(1)(c)(i) of the MFMA Act, we identified that the municipality does not have a formal policy to ensure skills retention and monitoring of the competency of staff members. This is to ensure that the relevant skill and competent staff are retained.
37. Contrary to section 62(1)(c)(i) of the MFMA Act, we identified that certain employees were excluded from the appointment process and no interview screenings were performed before these employees were employed by the municipality.
38. Contrary to section 62(1)(b), no supporting documentation has been found for debit orders being paid by the municipality.
39. Contrary to section 15 of the MFMA Act, the Municipality incurred expenditure above the approved budget to the amount of R12 728 824.
40. Contrary to section 41(1)(d) of the MFMA Act, insufficient evidence could be provided to prove that mechanisms, systems and processes exist for monitoring of the under-performance and taking corrective measures for under-performance.
41. Contrary to section 62(1)(c)(i) of the MFMA Act, we identified the following inconsistencies when comparing supplier balances to supplier statements:
 - For Rennies Travel Pty Ltd we identified that Invoices were identified from the creditor's reconciliation that were not captured in the general ledger. These invoices were dated 30 June 2012 and should be captured in the general ledger-invoice amount R91,797.15.
 - For supplier Aurecon South Africa (Pty) Ltd, we identified that an invoice was duplicated and at year end was not reversed. The invoice amounted to approximately R80,210.84
42. Contrary to Regulation 8 of the MPPMR, no evidence could be provided to indicate that the council adopted the PMS before or at the same time as the commencement by the municipality of the process of setting key performance indicators and targets in accordance with its integrated development plan.
43. Contrary to S72 of the MFMA, the accounting officer of the Nongoma municipality did not by 25 January of the financial year assess the performance of the municipality during the first half of the financial year, taking into account the municipality's service delivery performance during the first half of the financial year and the service delivery targets and performance indicators set in the service delivery and budget implementation plan.
44. Contrary to section 62(1)(c)(i) of the MFMA Act, it was noted that the debtor's master file has insufficient contact information which makes monitoring in terms of subsequent follow up and recovery of long outstanding debtors difficult. This is further evident by the need for an increase in doubtful debt provision during the financial period.
45. Contrary to section 23(4), no valuation roll reconciliation was performed for the 2011/2012. 2010/2011 valuation recon was given to the auditor; the period under review was not given to us. Nana stated that the Valuation roll and recon is the same document, but it is different.
46. Contrary to the requirements of S64(2) of the MFMA, the Municipality has a balance of R 164 882 within the debtor amount relating to deposits received from customers not yet allocated. The balance has accumulated over the years and it is not reviewed or cleared regularly.

47. Contrary to section 62(1)(c)(i) of the MFMA Act, we identified finance charges were overstated by R36, 350 due to an unexplained adjustment passed to deferred finance charges. On inspection of the deferred finance charges account (Statement of Financial Position) and the finance charges account (Statement of Financial Performance), there balances and figures are correct before the adjustment was made.
48. Contract to section 62(1)(c)(i) of the MFMA Act, we conducted audit tests to ensure that physical assets existed and that all assets were recorded on the fixed asset register. The following matters were identified:
- We identified that the following assets were not tagged
 - Assets were disposed of however no evidence of such
 - Assets could not be verified due to inadequate identification procedures.

Budgets

49. Contrary to section 21(1)(b), there was no evidence furnished indicating that the Mayor had at least 10 months before the start of the budget year tabled in the municipal council the time schedule outlining key deadlines for preparation, tabling and approval of the budget and review of IDP and budget related policies as required by s21(1)(b) of the MFMA.
50. Contrary to section 24, no evidence has been identified for approval of measureable performance objectives.
51. In terms of Section 32 (1) (b) of the MFMA Act, the accounting officer is liable for unauthorized expenditure deliberately or negligently incurred by the accounting officer, subject to section 32(3); we identified that an amount of R12, 728,824 was spent above the approved budget.
52. Contrary to section 45(3) there was an amount of R135, 995 that was not approved by the council for overdraft facilities.
53. Contrary to section 45 (3), the credit limit was approved by the council for emergency use, however as per the CFO, there is no documentation regarding this bank overdraft and the repayment options. There is no documentation regarding communication of the bank overdraft between the municipality and the National Treasury. There was no step taken to correct the matter.
54. Contrary to the requirements of section 69(3) of the MFMA, no evidence could be furnished indicating that the accounting officer submitted to the mayor within 14 days after the approval of the annual budget the draft SDBIP and the draft annual performance agreements as required in terms of section 57(1)(b) of the MSA.
55. Contrary to section 24 of the MFMA Act, no evidence was provided to evidence that the mayor approved the budget implementation plan within 28 days after approval of the budget.

Annual Financial statement, Performance and Annual Reports

56. Contrary to sections 38, 39, 40 and 41 of the Municipal Systems Act, no evidence could be obtained regarding the implementation of a proper management system by the Municipality.

Audit committee

57. Contrary to the requirement of section 166 of the Municipal Financial Management Act (MFMA), the audit committee did not discharge its responsibilities.

Procurement and Contract management

58. Contrary to regulation 17 of the SCM policy, we identified that purchase from certain suppliers who did not have 3 quotations attached before purchases were incurred.
59. Contrary to the SCM regulation 46(2)(c) and (6); SCM Regulation 47(1) and (3), we have not identified evidence of any employee, councilor or role-player declaring any financial interests.
60. Contrary to regulation 18(e) of the SCM policy, we identified that a purchase amounting to R4, 200 from Andisa Nami Management was selected; however this was not the lowest bidder. There was no evidence documenting why this supplier purchase had been selected.
61. Contrary to regulation 27, 28 and 29 of SCM policy, prior to November 2011, the following purchases were not supported by an evidence of a meeting for the 3 required committees. These being the specification committee, the bid adjudication committee and the bid selection committees.
62. Contrary to regulation 21(a) of the SCM policy, no proper contract agreements prepared in accordance with the general conditions of contracts (GCC) as prescribed by National Treasury.
63. During our audit we identified an allowance is being given to employees employed as body guards. The value of this allowance is R5, 000 per month. We reviewed the South African Local Government Bargaining Council agreement which does not allow for payment of this allowance.
64. Contrary to section 65(2)(e), we identified that certain suppliers were not paid within 30 days of receipt of goods.

Expenditure Management

65. Contrary to section 62(1)(c)(i) of the MFMA Act, we identified an amount of R200, 000 paid for the Pauper Burial Policy, pound policy. This amount was approved by the previous CFO, Mr. Mthethwa. On inspection of the policy, we identified that the policy was not signed by either party and was issued during November 2011.

Internal control

66. I considered internal control relevant to my audit of the financial statements, annual performance report] and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the basis for my opinion, [the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

Leadership

67. The accounting officer does not exercise oversight responsibility over performance reporting, compliance with laws and regulations and internal control. Actions are not taken to address risks relating to the achievement of complete and accurate performance reporting. Control weaknesses are not analysed and appropriate follow-up actions to address risks relating to the achievement of performance reporting objectives are not implemented.

Financial and performance management

68. Systems are not appropriate to facilitate the preparation of quality financial statements and performance reports and to facilitate proper daily and monthly processing and reconciling of transactions. The financial statements were subject to material amendments resulting from the audit.

Governance

69. The municipality did not have a properly functioning audit committee to review the effectiveness of the internal control system, risk areas of the municipality's operations, adequacy and reliability of financial information and performance information, and compliance with applicable laws and regulations.

André Sewel

Pietermaritzburg

30 November 2012



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



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NONGOMA LOCAL MUNICIPALITY

2011/12